

**Hangzhou Steam Turbine Co., Ltd.**

**Announcement on Confirming Occurrence of Daily Related Transactions of  
2018 and the Estimated Amount of Related Transactions of the Company of  
2019**

*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 actual amount of daily related transactions of 2019 was 331.786 million yuan. The Accumulative actual amount of daily related transactions of 2018 was 334.1511 million yuan( Unaudited).

The 28th meeting of the 7th term of Board was held on January 8, 2019. The meeting examined the Proposal on Confirming Occurrence of Daily Related Transactions of 2018 and the Estimated Amount of Related Transactions of the Company of 2019. Director Zheng Bin, Yang Yongming and Ye Zhong 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 and Hangzhou Steam Turbine Power Group Co., Ltd. shall waive from voting of this proposal.

**(II) Category and amount of daily related party transactions**

In RMB

| Type of related transaction                                         | Related parties                                                                        | Content                                              | Actual amount | Estimated amount in 2019 | Amount as of the date of disclosure | Occurred amount 2018( Unaudited) |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------|------------------------------------------------------|---------------|--------------------------|-------------------------------------|----------------------------------|
| Purchasing of material from related party                           | Hangzhou Nanhua Wooden Packaging Co., Ltd.                                             | Packing box                                          | Fair          | 18,060,000.00            |                                     | 16,659,111.12                    |
|                                                                     | Hangzhou Hangfa Power Generating Equipment Co., Ltd.                                   | Generator                                            | Fair          | 176,724,137.93           |                                     | 163,751,915.81                   |
|                                                                     | Hangzhou Steam Turbine Engineering Co., Ltd.                                           | Turbine parts                                        | Fair          | 900,000.00               |                                     | 427,350.43                       |
|                                                                     | China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd. | Raw material                                         | Fair          | 2,000,000.00             |                                     | 1,367,042.44                     |
|                                                                     | Subtotal                                                                               |                                                      |               | <b>197,684,137.93</b>    |                                     | <b>182,205,419.80</b>            |
| Purchasing of fuel and power from the related parties               | Hangzhou Steam Turbine Power Group Co., Ltd.                                           | Water and electricity                                | Fair          | 16,337,931.03            |                                     | 14,653,271.38                    |
|                                                                     | Subtotal                                                                               |                                                      |               | <b>16,337,931.03</b>     |                                     | <b>14,653,271.38</b>             |
| Sales of products or merchandises of the Company to related parties | Hangzhou Steam Turbine Engineering Co., Ltd.                                           | Turbine, compressor                                  | Fair          | 8,189,655.17             |                                     | 50,891,902.44                    |
|                                                                     | Hangzhou Hangfa Power Generating Equipment Co., Ltd.                                   | Forging                                              | Fair          | 12,500,000.00            |                                     | 12,803,285.27                    |
|                                                                     | India greenesol Company                                                                | Turbine parts                                        | Fair          | 1,000,000.00             |                                     | 806,596.80                       |
|                                                                     | Subtotal                                                                               |                                                      |               | <b>21,689,655.17</b>     |                                     | <b>64,501,784.51</b>             |
| Labor service to related parties                                    | Hangzhou Steam Turbine Power Group Co., Ltd.                                           | Information service charge, process design fee, etc. | Fair          | 35,000,000.00            |                                     | 94,339.62                        |
|                                                                     | Subtotal                                                                               |                                                      |               | <b>35,000,000.00</b>     |                                     | <b>94,339.62</b>                 |
| Labour & services accepted from the related parties                 | Hangzhou Steam Turbine Engineering Co., Ltd.                                           | Technical services                                   | Fair          | 3,000,000.00             |                                     | 405,660.38                       |
|                                                                     | Hangzhou Steam Turbine Power Group Co., Ltd.                                           | Rental fees, trademark fees, etc.                    | Fair          | 12,173,289.23            |                                     | 11,502,025.20                    |
|                                                                     | Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.                              | Freight, repair, rental                              | Fair          | 45,560,000.00            |                                     | 55,671,830.50                    |
|                                                                     | Hangzhou Steam Turbine Compressor Co., Ltd.                                            | Technical service                                    | Fair          | 340,000.00               |                                     | 339,622.64                       |
|                                                                     | Subtotal                                                                               |                                                      |               | <b>61,073,289.23</b>     |                                     | <b>67,919,138.72</b>             |
|                                                                     | Total                                                                                  |                                                      |               | <b>331,785,013.36</b>    |                                     | <b>334,031,962.37</b>            |

(III) Daily Related transactions actually situations of 2018(As of December 31, 2018 ).

In RMB

| Type of related transaction               | Related parties                            | Content     | Actual amount | Estimated amount 2018 | Percentage in similar business % | Difference proportion (%) |
|-------------------------------------------|--------------------------------------------|-------------|---------------|-----------------------|----------------------------------|---------------------------|
| Purchasing of material from related party | Hangzhou Nanhua Wooden Packaging Co., Ltd. | Packing box | 16,659,111.12 | 10,350,000.00         | 0.59%                            | 60.96%                    |
|                                           | Hangzhou Nanfang Tongda Gears Co., Ltd.    | Gear case   | 4,658,008.35  | 6,560,000.00          | 0.16%                            | -28.99%                   |

|                                                                     |                                                                                        |                                   |                |                |        |          |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------|----------------|----------------|--------|----------|
|                                                                     | Hangzhou Hangfa Power Generating Equipment Co., Ltd.                                   | Generator                         | 163,751,915.81 | 145,840,000.00 | 5.79%  | 12.28%   |
|                                                                     | Hangzhou Steam Turbine Engineering Co., Ltd.                                           | Turbine parts                     | 427,350.43     | 2,560,000.00   | 0.02%  | -83.31%  |
|                                                                     | China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd. | Raw material                      | 1,367,042.44   | 1,120,000.00   | 0.05%  | 22.06%   |
|                                                                     | Subtotal                                                                               |                                   | 186,863,428.14 | 166,430,000.00 | -      | -        |
| Purchasing of fuel and power from the related parties               | Hangzhou Steam Turbine Power Group Co., Ltd.                                           | Water and electricity             | 14,653,271.38  | 13,247,000.00  | 25.64% | 10.62%   |
|                                                                     | Subtotal                                                                               |                                   | 14,653,271.38  | 13,247,000.00  | -      | -        |
| Sales of products or merchandises of the Company to related parties | Hangzhou Steam Turbine Engineering Co., Ltd.                                           | Steam turbine                     | 50,891,902.44  | 68,000,000.00  | 1.11%  | -25.16%  |
|                                                                     | Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.                              | Odd Material                      | 775.28         | 20,000.00      | 0.00%  | -96.12%  |
|                                                                     | Hangzhou Hangfa Power Generating Equipment Co., Ltd.                                   | Forging                           | 12,803,285.27  | 11,900,000.00  | 0.28%  | 7.59%    |
|                                                                     | India greenesol Company                                                                | Steam turbine                     | 806,596.80     | 1,000,000.00   | 0.02%  | -19.34%  |
|                                                                     | Hangzhou Steam Turbine Power Group Co., Ltd.                                           | Labour protection                 | 16,524.09      | -              | 0.00%  |          |
|                                                                     | Subtotal                                                                               |                                   | 64,519,083.88  | 80,920,000.00  | -      | -        |
| Labor service to related parties                                    | Hangzhou Steam Turbine Engineering Co., Ltd.                                           | Installation services, etc.       | -              | 3,000,000.00   | -      | -100.00% |
|                                                                     | Hangzhou Steam Turbine Power Group Co., Ltd.                                           | Information service               | 94,339.62      | 140,000.00     | 0.20%  | -32.61%  |
|                                                                     | Subtotal                                                                               |                                   | 94,339.62      | 3,140,000.00   | -      | -        |
| Labour & services accepted from the related parties                 | Hangzhou Steam Turbine Engineering Co., Ltd.                                           | Technical services                | 405,660.38     | 3,200,000.00   | 0.09%  | -87.32%  |
|                                                                     | China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd. | Development design                | 101,886.79     | 150,000.00     | 0.02%  | -32.08%  |
|                                                                     | Hangzhou Steam Turbine Power Group Co., Ltd.                                           | Rental fees, trademark fees, etc. | 11,502,025.20  | 14,850,000.00  | 2.42%  | -22.55%  |
|                                                                     | Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.                              | Freight, repair, rental           | 55,671,830.50  | 60,540,000.00  | 11.70% | -8.04%   |
|                                                                     | Hangzhou Steam Turbine Compressor Co., Ltd.                                            | Technical services                | 339,622.64     | 350,000.00     | 0.07%  | -2.96%   |
|                                                                     | Subtotal                                                                               |                                   | 68,021,025.51  | 79,090,000.00  | -      | -        |
|                                                                     | Total                                                                                  |                                   | 334,151,148.53 | 342,827,000.00 |        | -2.53%   |

(Continued)

|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supplementary notes:         | <p>(1) Hangzhou Nanhua Wooden Packaging Co., Ltd., Hangzhou Hangfa Power Generating Equipment Co., Ltd. Hangzhou Nanfang Tongda Gears Co., Ltd., Hangzhou Steam Turbine Engineering Co., Ltd., Hangzhou Steam Turbine Industrial Co., Ltd., China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd., Hangzhou Steam Turbine Automobile Sales Service Co., Ltd and Hangzhou Hang Steam Turbine Compressor Co., Ltd are both controlled by Hangzhou Steam Turbine Power Group Co., Ltd (hereinafter referred to as Hangzhou Steam Turbine Group") or have the actual control relationship as "associated person under the same control".</p> <p>(2) In accordance with the Stock Listing Rules, The total amount of related transactions actually incurred by the Company and its related parties in 2018 was 334.,1511 million yuan (unaudited), accounting for 5.37% of the Company's latest audited net assets, which shall be submitted to the shareholders' general meeting for deliberation.</p> <p>(3) The company held two shareholders' general meetings respectively on April 27, 2018 and July 20, 2018 for reviewing the "Proposal on the Estimated Transaction Amount of the Company's 2018 Annual Related Transactions", which was failed to be approved in both meetings. Therefore, according to the relevant rules, the Company held the meetings of board of directors respectively on May 14, 2018, August 16, 2018 and October 22, 2018 to review and confirm the amount of routine related party transactions of the Company occurred from January 2018 to September 2018.</p> |
| Date and index of disclosure | For more details, please refer to the relevant announcement of Juchao Information Network, announcement No (2018-06, 2018-39, 2018-46, 2018-49, 2018-59, 2018-71)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

## 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. Zheng Bin
- (6) Registered capital: RMB 800 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        |
|-------------------|--------------------|----------------|-------------------|------------------|
| Year 2017         | 102,930,921,802.47 | 641,624,652.28 | 38,769,187,457.55 | 9,941,197,000.88 |
| January-June 2018 | 47,227,613,339.45  | 322,325,921.46 | 36,805,147,752.14 | 6,221,258,151.01 |

## 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: Tentong No.2 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: Design, production and sale of hydroelectric power plant, turbine generator, motor, water pump, power station and mining accessories, mechanical electrical equipment, automation original; General contract of power station project, import and export of goods and technology , Rental of owner-owned houses.

(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      |
|-------------------|----------------|---------------|----------------|----------------|
| Year 2017         | 279,803,946.31 | 22,459,703.33 | 616,473,257.76 | 118,749,927.34 |
| January-June 2018 | 151,690,718.61 | 1,593,528.31  | 649,395,804.58 | 115,343,455.65 |

### 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: Wang Zhenfeng

(6) Registered capital: RMB 1.5 million

(7) Business scope: Manufacturing, processing, and sales of wooden products (wooden packaging material); sales of construction material, decoration material, Wood, Steel, hardware.

(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    |
|-------------------|---------------|------------|--------------|--------------|
| Year 2017         | 12,612,643.75 | 451,468.87 | 5,746,283.31 | 3,167,498.92 |
| January-June 2018 | 8,553,051.75  | 240,239.93 | 6,975,392.33 | 3,407,783.85 |

### 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 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: Yang Yongming

(6) Registered capital: RMB5 million

(7) Business scope: Service: Maintenance (one type of motor vehicle maintenance: large and medium-sized bus maintenance, large and medium-sized truck maintenance, small vehicle maintenance) (only within the validity period); Wholesale, retail: commercial vehicles and more than nine passenger cars, auto parts, Metal materials, building materials, decorative materials, general machinery, electrical machinery and equipment; import and export of goods (except as prohibited by laws and administrative regulations, projects subject to laws and administrative regulations may obtain business licenses before they can engage in business activities); services: at sea, Aviation and land international freight forwarding; warehousing services (except dangerous goods); including the business scope of subordinate branches; other legal items that do not need to be approved.

(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     |
|-------------------|---------------|--------------|---------------|---------------|
| Year 2017         | 95,500,677.65 | 6,031,385.14 | 50,911,613.76 | 31,422,413.04 |
| January-June 2018 | 38,238,635.17 | 2,543,962.01 | 54,901,573.16 | 31,466,385.05 |

##### 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.

### (V) 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     |
|-------------------|----------------|--------------|----------------|---------------|
| Year 2017         | 266,817,974.94 | 3,596,285.69 | 863,170,887.94 | 72,976,616.32 |
| January-June 2018 | 70,650,560.31  | 1,192,449.00 | 870,315,219.60 | 74,169,065.31 |

#### 3. Relationship with the Company

Hangzhou Steam Turbine Engineering Co., Ltd. is a holding subsidiary of HSTG, in which HSTG is holding 74.275% 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.

**(VI)(India) greenesol power equipment private Co., Ltd.**

1.Profiles:

- (1) Date of incorporation: October 19,2005
- (2) Registered address: Bangalore, India
- (3) Registered capital: USD 2.20 million
- (4)Main business scope: Turbine engaged in power generation equipment supply, installation and commissioning.
- (5) The main shareholder: Hangzhou Steam Turbine Co.,Ltd: 35.62%; the foreign shareholders: 64.38%.

2. Recent financial information

In USD

| Periods               | Turnover      | Net profit | Gross Assets  | Net asset    |
|-----------------------|---------------|------------|---------------|--------------|
| March 2016-March 2017 | 6,287,206.34  | 214,569.55 | 34,779,319.69 | 8,375,363.96 |
| March 2017-Marc 2018  | 10,150,418.59 | 146,158.79 | 21,667,655.90 | 8,497,094.60 |

3. Relationship with the Company

As the senior management of the company acts as director of that company and conforms to the 10.1.5 clause of Listing Rules of Shenzhen Stock Exchange-"a natural person associated with a listed company directly or indirectly controls, or is a director or senior manager, a legal person or other organization other than a listed company and its controlling subsidiary", is an associated legal person of a listed company.

4. Description of related transactions and their necessity The Company's related party transaction with (India) greenesol power equipment private Co., Ltd. is mainly related to the purchase of raw materials and the sales of products or commodity.

**(VII) 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

| In RMB             |              |               |               |               |
|--------------------|--------------|---------------|---------------|---------------|
| Periods            | Turnover     | Net profit    | Gross Assets  | Net asset     |
| Year 2017          | 4,633,297.79 | -3,874,971.05 | 21,820,657.29 | -3,043,383.61 |
| January-March 2018 | 0            | -150,042.00   | 21,358,957.87 | -3,193,425.61 |

## 3. Relationship with the Company

HSTG is holding 42.5% of the Company's share capital as the controlling shareholder. 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 main content of the related transaction between the Company and Hangzhou Hangqilun Compressor Co., Ltd. Is accepting the technical services provided by the latter.

## **(VIII) 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    |
|--------------------|--------------|------------|--------------|--------------|
| Year 2017          | 1,543,175.73 | 178,018.72 | 2,298,759.27 | 1,378,416.33 |
| January-March 2018 | 128,183.76   | -42,253.87 | 2,126,810.23 | 1,336,162.46 |

### 3. Relationship with 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. Analysis of the contract-performance ability of related parties

The above related parties have formed a stable and efficient business operation mode in the long-term business cooperation relationship with the company since the company was listed, having strong contract-performance ability. The board of directors reckoned that the above all related parties can fulfill the contract and carry out the related business with the company.

## IV. The purpose of related transactions and the impact on the listed company

### 1. The impact of related party transactions on the company

Due to the need to produce and sell the company's products, the company sells some of its products to the related party and entrusts the related party to sell the company's products, accepting the related party service of transportation and packing related to the company's products in the course of sales, and the related party transaction optimizes the allocation of production resources, effectively improves the efficiency of the company's production and operation and is conducive to the main business of the company. The price of related party transactions between the company and the related party is fair and, the transaction does not harm the interests of the company.

### 2. The procedural legality of the related party transaction

The company has a pricing mechanism of related party transaction for daily related party transactions. All the related transactions are examined by the board of directors of the company in accordance with relevant regulations and are submitted to the shareholders' general meeting of the company for consideration in accordance with the standards. In the course of deliberation, the associated directors and associated shareholders withdraw from the voting, so the procedure is

legal.

### 3.Pricing basis of related party transaction

Where the company and its holding subsidiaries carry out the above related party transaction, the price of related transaction is determined according to the market price and follows the principles of fairness, voluntariness and consensus in the pricing process.

### **V.The Consent of independent directors in advance and their opinions**

The Consent of independent directors in advance, according to the relevant rules, the Company held the meetings of board of directors respectively on May 14, 2018, August 16, 2018 and October 22, 2018 to review and confirm the amount of routine related party transactions of the Company occurred from January 2018 to September 2018.The Company' Proposal to Confirming Occurrence of Daily Related Transactions of 2018 and the Estimated Amount of Related Transactions of the Company of 2019, Strictly performing the examination and approval procedures belongs to the normal business needs of the company and will not affect the independence of the company. The transaction price follows the fair and reasonable pricing principle. The above-mentioned daily related transactions are in the interest of the company and all shareholders. There is no harm to the interests of the company's small and medium shareholders. We recognize the above related contents of the daily connected transactions and agree to submit the proposal to the company's board of directors for review.

The Independent Directors' Opinion: The related transactions of the company in relation to daily operations are in line with the company's actual production and operation conditions and future development needs. The total amount of related transactions actually incurred by the Company and its related parties in 2018 was 334.1511 million yuan (unaudited), accounting for 5.37% of the company's latest audited net assets, which shall be submitted to the shareholders' general meeting for reviewing, and the relevant information disclosure obligations shall be fulfilled.The transaction is priced according to market principles, fair and reasonable, and does not harm the interests of the company and small and medium shareholders, and is conducive to the company's continued steady development.

This announcement is hereby made.

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

January 9, 2019