

Hangzhou Steam Turbine Co., Ltd.
Announcement on Participation in Hangzhou Bank's Public Offering
of A-Share Convertible Corporate Bonds.

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.

Tips on Special Risk:

- The public offering plan of A-share convertible corporate bonds issued by Hangzhou Bank Co., Ltd. (hereinafter referred to as "Hangzhou Bank") can only be implemented after being approved by Zhejiang Regulatory Bureau of CBIRC and CSRC, and the plan obtained the final approval of the aforesaid regulatory authority shall prevail. There is still uncertainty in the implementation time of the plan issued this time;
- The participation of Hangzhou Steam Turbine Co., Ltd. (hereinafter referred to as "the company") in Hangzhou Bank's public offering of A-share convertible corporate bonds still needs to be submitted to the company's first provisional shareholders' meeting in 2020 for deliberation;
- Hangzhou Bank's public offering of A-share convertible corporate bonds is affected by factors such as market supervision policies and market environment, and thereby causing certain risks in the investment benefit of the company.

I. Overview of transactions

1. On September 30, 2020, Hangzhou Bank held a shareholders' meeting, on which it deliberated and approved the *Proposal on Conditions for Public Offering of A-Share Convertible Corporate Bonds*, and it will issue convertible bonds of no more than RMB 15 billion to support the future business development of Hangzhou Bank.

Since the issuance of convertible bonds by Hangzhou Bank provides the priority of placing shares to the original shareholders, the Company is entitled to the priority of subscription. The existing total share capital of Hangzhou Bank is 5,930,200,432 shares, among which 271,875,206 shares of Hangzhou Bank are held by the Company. Therefore, the Company plans to participate in the subscription of convertible bonds issued by Hangzhou Bank according to the shareholding

ratio of 4.58%. According to the issuance scale of Hangzhou Bank and the Company's shareholding situation, the capital required by the Company to subscribe for convertible bonds of Hangzhou Bank according to the placing amount is estimated to be 687 million yuan.

2. Mr. Zheng Bin, the chairman of the Company, once served as a director of Hangzhou Bank and ceased to serve after April 2020. According to Article 10.1.6 of the *Stock Listing Rules of Shenzhen Stock Exchange* and other relevant regulations, "(II) In case of one of the circumstances specified in Article 10.1.3 or Article 10.1.5 of these Rules in the past twelve months", Hangzhou Bank is still regarded as an associated legal person of the Company, and this transaction constitutes a related transaction. In accordance with article 10.2.15, "a listed company may be exempted from performing its obligations in accordance with the provisions of this chapter if it has entered into the following related transactions with its affiliates :(I) one party subscribes in cash for the other party's publicly issued stocks, corporate bonds or enterprise bonds, convertible corporate bonds or other derivatives;" Therefore, the Company's participation in and subscription of convertible bonds issued by The Bank of Hangzhou in the form of cash is exempted from performing related obligations in accordance with related transactions, and Zheng Bin of the related party does not evade voting.

3. This related transaction does not constitute a major asset restructuring as stipulated in the *Administrative Measures for Major Asset Restructuring of Listed Companies*, nor does it constitute restructuring and listing.

II. Basic information of parties

1. Basic information

- (1) Date of establishment: September 25, 1996
- (2) Registered address: No.46 Qingchun Road, Xiacheng District, Hangzhou City, Zhejiang Province
- (3) Office address: No.46 Qingchun Road, Xiacheng District, Hangzhou City, Zhejiang Province
- (4) Nature of the enterprise: limited-liability company (Sino-foreign joint venture, listed)
(with a foreign shareholding ratio of less than 25%)
- (5) Legal representative: Chen Zhenshan
- (6) Registered capital: 5,930.200432 million yuan

(7) Main business: to operate the business approved by China Banking Regulatory Commission in accordance with relevant laws, administrative regulations and other provisions, and the business scope shall be subject to those listed in the approval documents.

(8) Actual controller: Hangzhou Municipal Finance Bureau

2. Recent financial information

In RMB'000					
Date	Gross assets	Net assets	Turnover	Total profit	Net profit
June 2020	1,071,569,990	78,658,705	12,853,894	4,727,311	4,068,201
Year 2019	1,024,070,107	62,544,597	21,408,739	7,316,278	6,602,123

III. Basic information and pricing basis of transactions

1. Counterparty: Hangzhou Bank Co., Ltd
2. Transaction target: convertible bonds issued by Hangzhou Bank
3. Transaction amount: estimated 687 million yuan
4. Pricing basis: according to the issuance scale of Hangzhou Bank and the Company's shareholding situation, the capital required by the Company to subscribe for convertible bonds of Hangzhou Bank according to the placing amount is estimated to be 687 million yuan.

IV. Main contents of convertible bonds issued by Hangzhou Bank

No.	Type	Main content
1	Issuance price	Each convertible bond is with a face value of RMB 100 yuan, and is issued according to the face value.
2	Term	The term of convertible bonds is 6 years from the date of issuance.
3	Coupon rate	It is determined by the Board of Directors of Hangzhou Bank or the authorized person of the Board of Directors according to the authorization of the shareholders' meeting and based on the national policies, market conditions and specific conditions of Hangzhou Bank before issuance.
4	Interest payment method	The interest will be paid once a year, and the starting date of interest accrual is the first day of convertible bond issuance.
5	Conversion period	From the first trading day 6 months after the issuance of convertible bonds to the maturity date of convertible bonds.

6	Conversion price	Not less than the average trading price of the Company's A shares in the first thirty trading days and the first twenty trading days before the announcement of the prospectus (in case of ex-rights and ex-dividends, adjustment shall be made accordingly).
7	Early redemption clause	During the conversion period, if the closing price of Hangzhou Bank's stock is not lower than 130% (including 130%) of the current conversion price in at least fifteen consecutive days of thirty trading days, Hangzhou Bank has the right to redeem all or part of the unconverted convertible bonds at the price of the face value of the bonds plus the current accrued interest.
8	Downward amendment clause of conversion price	During the term of convertible bonds, when the closing price of Hangzhou Bank's shares is lower than 80% of the current conversion price in at least fifteen consecutive of thirty trading days, the Board of Directors of Hangzhou Bank has the right to propose a downward amendment plan of the conversion price and submit it to the shareholders' meeting for deliberation. The amended conversion price shall not be lower than the average transaction price of Hangzhou Bank's official shares in the first 30 trading days, the first 20 trading days and the 1st trading day before the shareholders' meeting, and the conversion price shall not be lower than the latest audited net assets per share.

V. Purpose of transactions and its influence on listed companies

1. Influence of transactions on the Company

According to the Board of Directors of the Company, the Company's participation in Hangzhou Bank's public offering of A-share convertible corporate bonds is mainly based on the analysis of Hangzhou Bank's investment value and the prediction of its future prospects. The capital source of the Company's participation in this investment is the Company's own funds, and this investment project will not have a significant impact on the Company's financial status, operating results and cash flow.

2. Deliberation procedures to be performed in related transactions

(1) The Company's related transaction deliberation procedure complies with the *Company Law*, *Securities Law* and other laws and regulations as well as the *Articles of Association*;

(2) This related transaction is still to be submitted to the Company's first provisional

shareholders' meeting in 2020 for deliberation

This announcement is hereby made.

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

October 30, 2020