

## Hangzhou Steam Turbine Co., Ltd. Announcement on Confirming Occurrence of Daily Related Transactions in August to September of 2020

*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.

#### (II) Actual occurrence of daily related transactions from August to September of 2020

The actual amount of daily related transactions from August to September of 2020 was 73.8974 million yuan (Unaudited), By the end of September, The Cumulative occurrence amount of daily related transactions was 276.3138 million yuan (Unaudited), Accounting for 4.18% of the company's 2019 audited net assets.

#### (III) Category and amount of daily related party transactions in August to September of 2020

In RMB

Type of related transaction	Related parties	Content	Price principle	August to September 2020 actual amount	January to September 2020 actual amount
Purchasing of Raw material from related party	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Packing box	Fair	2,065,669.13	10,112,889.01
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generator	Fair	42,289,614.12	136,894,392.89
	China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd.	Raw material	Fair	1,137,587.00	1,913,483.30
	Hangzhou Steam Turbine Engineering Co., Ltd.	Turbine parts	Fair	235,849.06	235,849.06

	<b>Subtotal</b>			<b>45,492,870.25</b>	<b>149,156,614.26</b>
Purchasing of fuel and power from the related parties	Hangzhou Steam Turbine Power Group Co., Ltd.	Water and electricity	Fair	1,592,048.61	8,697,961.79
	<b>Subtotal</b>			<b>1,592,048.61</b>	<b>8,697,961.79</b>
Sales of products or merchandises of the Company to related parties	Hangzhou Steam Turbine Engineering Co., Ltd.	Turbine, compressor	Fair	10,707,964.60	53,682,399.12
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Forging	Fair	1,127,270.23	7,365,786.74
	India greenesol Company	Turbine parts	Fair	4,001.05	118,323.57
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Odd materials	Fair	0.00	69.52
	Hangzhou Steam Turbine Power Group Co., Ltd.	labour protection	Fair	0.00	349.80
	<b>Subtotal</b>			<b>11,839,235.88</b>	<b>61,166,928.75</b>
Labour & services accepted from the related parties	Hangzhou Steam Turbine Engineering Co., Ltd.	Technical services	Fair	283,018.87	896,226.42
	Hangzhou Steam Turbine Power Group Co., Ltd.	Rental fees, trademark fees, etc.	Fair	410,506.42	1,634,850.72
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Freight, repair, rental	Fair	14,279,750.52	54,761,265.67
	<b>Subtotal</b>			<b>14,973,275.81</b>	<b>57,292,342.81</b>
	<b>Total</b>			<b>73,897,430.55</b>	<b>276,313,847.61</b>

## 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 2019	14,695,831,280.97	305,524,435.74	18,769,164,979.98	8,971,890,077.50
January -September 2020	59,906,955.80	33,674,976.62	2,770,215,480.98	1,637,561,359.64

## 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: Zhentong No.2 Village, Linpu, Xiaoshan District, Hangzhou

(3) Office address: 128 Dongxi Road, Linpu Town, Xiaoshan District, Hangzhou

(4) Enterprise property: State-owned shareholding corporation

(5) Legal representative: Zhou Yifei

(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. (Projects subject to approval in accordance with the law shall be approved by the relevant departments before they can carry out business activities)

(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 2019	342,594,925.02	2,498,940.82	567,854,664.18	110,038,414.63

January -September 2020	227,819,357.77	-107,101.07	65,611,078.25	108,931,313.56
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### 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 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: RMB 5 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 2019	193,289,963.59	7,411,699.55	78,306,000.55	40,393,604.82
January -September 2020	160,661,621.29	5,837,895.84	115,191,107.73	41,231,500.66

### 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.

## (IV) 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: 18 Street No. 22, Technical Development Zone, Hangzhou

(4) Enterprise property: State-controlled company limited

(5) Legal representative: Shen Weijun

(6) Registered capital: RMB 200 million.

(7) Main business scope: Power engineering general contracting; design and installation: complete sets of electromechanical equipment projects, small and medium-sized thermal power generation projects, energy-saving technical transformation projects, and provision of related technical services, technical consultation, and transfer of technical achievements [the above business scope except for installation (repair, trial) of power facilities ] ;Import and export of goods (except for projects prohibited by laws and administrative regulations, and projects restricted by laws and administrative regulations can only be operated after obtaining permission); wholesale and retail: electromechanical complete sets of equipment, metal materials, high and low voltage electrical appliances, wires and cables, instruments Instruments, thermal insulation and refractory 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
Year 2019	156,530,024.5	-27,737,684.49	715,602,879.81	4,117,798.85
January -September 2020	104,267,220.58	3,843,354.03	662,225,706.26	7,961,152.88

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.

**(V)(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 Indian rupee

Periods	Turnover	Net profit	Gross Assets	Net asset
March 2018- March 2019	1,210,851,831	37,356,892	1,398,531,811	591,454,852
March 2019-December 2019	876,448,259	13,222,877	1,301,064,368	617,469,098

### 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.

### **(VI) 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,Jiangan District, Hangzhou City

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

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

(5) Legal representative: Kong Jianqiang

(6) Registered capital: RMB 1 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 (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 2019	585,468.59	502,152.01	2,286,216.43	1,685,162.66
January -September	2,360,569.31	333,023.77	2,387,142.16	2,018,186.43

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### 3. Relationship with the Company

Hangzhou steam turbine group holds 55% 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 the course of deliberation, the associated directors and associated shareholders withdraw from the voting.

### 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: In the actual background of the company's daily related transactions in August to September of 2020, 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 actual Cumulative occurrence amount of daily related party transactions between the company and Hangzhou Steam Turbine Power Group and other related parties from January to September 2020 is RMB 276.3138 million ( Unaudited ) , Accounting for 4.18% of the company's 2019 audited net assets. 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 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.

October 30, 2020