

Hangzhou Steam Turbine Co., Ltd.
Announcement on Application for 300 million Yuan Credit Loan and Related
Transactions from Hangzhou Bank

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. Overview of related transactions

1. The Company plans to apply for a credit loan of RMB 300 million from Hangzhou Bank Co., Ltd. (hereinafter referred to as "Hangzhou Bank").

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.

3. The Company shall organize the directors to review the proposal and conduct relevant deliberation procedures according to related transactions. Independent directors of the Company shall recognize the related transactions in advance and express their opinions.

4. 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 a backdoor listing. The proposal shall be submitted to the shareholders' meeting for deliberation.

II. Basic information of related counterparty

(I) Basic information

1. Name of related party: Hangzhou Bank Co., Ltd.

2. Registered address: No.46 Qingchun Road, Xiacheng District, Hangzhou City, Zhejiang Province

3. Legal representative: Chen Zhenshan

4. Registered capital: 5, 930.200432 million yuan

5. 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.

6. Recent financial information of Hangzhou Bank Co., Ltd.

In RMB'000

Period	Turnover	Net profit	Gross assets	Net assets
Year 2019	21,408,739	6,602,123	1,024,070,107	62,544,597
January-June 2020	12,853,894	4,068,201	1,071,569,990	78,658,705

(II) Association relation

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III. Main contents of related transactions and pricing policies

(I) Transaction content

The Company applied to Hangzhou Bank for a credit loan of RMB 300 million, which was used for working capital loans and issuance of non-financing guarantee, bank acceptance bills and international and domestic letters of credit. The purpose of working capital loans is to purchase raw materials, equipment, relocation expenses and other working capital turnover. The credit period is 1 year, including: no more than 6 months for the each international and domestic letter of credit, and no more than 12 months for each of other letters of credit.

Hangzhou Steam Turbine Power Group Co., Ltd., the controlling shareholder of the Company, provided joint liability guarantee for the 300 million yuan credit loan.

(II) Pricing policy

Adhere to the principles of equity, reasonableness, fairness, win-win and marketization, with the market price as the pricing basis.

IV. Purpose of related transactions and its influence on listed companies

1. Influence of related transactions on the Company

The Board of Directors of the Company believes that the Company's application for a credit loan of RMB 300 million from Hangzhou Bank for working capital loans and the issuance of non-financing guarantees, bank acceptance bills, international and domestic letters of credit is conducive to the needs of enterprises to carry out business activities

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) Independent directors of the Company shall recognize the related transactions in advance and express their opinions;

V. Prior approval and independent opinions of independent directors

Prior approval of independent directors: The Company requested the Board of Directors to deliberate the proposal, and strictly performed the examination and approval procedures. We recognized the relevant contents of the above-mentioned daily related transactions and agreed to submit the proposal to the Board of Directors of the Company for deliberation.

Independent opinions expressed by independent directors: The Company applied for a credit loan of RMB 300 million from Hangzhou Bank, which is conducive for the enterprise to carry out business activities. The above related transactions are objective and fair, and the trading conditions are fair and reasonable, which does not harm the interests of the Company and other shareholders, especially the small and medium shareholders.

This announcement is hereby made.

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

October 30, 2020