

**Hangzhou Steam Turbine Co., Ltd.**  
**Announcement on Confirming the Estimated Amount of Related**  
**Transactions of the Company of 2021**

*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. The main related parties of the Company are Hangzhou Turbine Power Group Co., Ltd., the controlling shareholder of the company, and its controlled subordinate enterprises. The Estimated amount of daily related transactions of 2021 was 428,829,000 yuan, The actual amount of daily related transactions of 2020 was 376,661,466 yuan (Unaudited) .

The 9th meeting of the 8th term of Board was held on February 5, 2021. Director(Association: Director and Senior Executive of Hangzhou Turbine Power Group Co., Ltd.) Zheng Bin, Yang Yongming and Ye Zhong waived from the voting. As the resolution, the proposal was passed with all 7 votes in favor, 0 objection and 0 waive. The meeting examined and adopted the Proposal on the Estimated Amount of Related Transactions of the Company of 2021

According to the *Stock Listing Rules of the Shenzhen Stock Exchange*, the transactions between listed companies and related parties (except for cash assets and guarantees provided by listed companies), which amounted to more than 30 million yuan and account for more than 5% of the absolute value of the latest audited net assets of listed companies, shall be submitted to the general meeting of shareholders for deliberation. The estimated daily connected transactions of the Company in 2021 accounted for more than 5% of the audited net assets in 2019, so the proposal should be submitted to the general meeting of shareholders of the Company for deliberation. Hangzhou Turbine Power Group Co., Ltd., the controlling shareholder of the Company, abstained from voting when the general meeting of shareholders deliberated the proposal.

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

In RMB

Type of related transaction	Related parties	Content	Price principia	Estimated Amount in 2021	January 2021 Actual amount (Unaudited)	Actual amount 2020 (Unaudited)
Purchasing of Raw material from related party	Hangzhou Steam Turbine Industry and Trade Co., Ltd.	Packing box	Fair	15,900,000	1,232,496.26	13,120,938.28
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generator	Fair	174,627,000	5,774,337.27	182,611,509.34
	China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd.	Raw material	Fair	4,430,000	318,600.00	2,575,133.30
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Vehicle	Fair	0.00	0.00	225,663.72
	<b>Subtotal</b>			<b>194,957,000</b>	<b>7,325,433.53</b>	<b>198,533,244.64</b>
Purchasing of fuel and power from the related parties	Hangzhou Steam Turbine Power Group Co., Ltd.	Water and electricity	Fair	240,000	64,605.20	9,563,774.11
	Subtotal			<b>240,000</b>	<b>64,605.20</b>	<b>9,563,774.11</b>
Sales of products or merchandises of the Company to related parties	Hangzhou Steam Turbine Engineering Co., Ltd.	Turbine, compressor	Fair	101,500,000	0.00	69,424,617.70
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Forging	Fair	10,000,000	599,238.72	9,655,050.32
	India greensol Company	Turbine parts	Fair	2,000,000	0.00	2,132,934.52
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Odd materials	Fair	-	0.00	355.52
	Hangzhou Steam Turbine Power Group Co., Ltd.	labour protection	Fair	-	0.00	349.80
	<b>Subtotal</b>			<b>113,500,000</b>	<b>599,238.72</b>	<b>81,213,307.86</b>
Labor service to	Hangzhou Steam Turbine Power Group Co., Ltd..	Information service charge, process	Fair	31,580,000	0.00	18,516.98

related parties		design fee, etc.				
	Hangzhou Steam Turbine Engineering Co., Ltd.	Technical services, Installation services	Fair	-	0.00	2,804.00
	Zhejiang Turbine Import & Export Co., Ltd.	Training expense	Fair	-	0.00	6,719.81
	<b>Subtotal</b>			<b>31,580,000</b>	<b>0.00</b>	<b>28,040.79</b>
Labour & services accepted from the related parties	Hangzhou Steam Turbine Engineering Co., Ltd.	Technical services	Fair	6,160,000	0.00	3,000,000.01
	Hangzhou Steam Turbine Power Group Co., Ltd.	Rental fees, trademark fees, etc.	Fair	6,442,000	72,351.27	10,333,622.08
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Freight, repair, rental	Fair	68,720,000	706,831.02	68,107,757.56
	Hangzhou Steam Turbine Industry and Trade Co., Ltd.	Polishing, rental, property management, security	Fair	6,080,000	0.00	5,786,261.02
	Hangzhou Xiangjiang Technology Co., Ltd.	Rental fees	Fair	1,150,000	95,457.93	95,457.93
	<b>Subtotal</b>			<b>88,552,000</b>	<b>874,640.22</b>	<b>87,323,098.60</b>
Total			<b>428,829,000</b>	<b>8,863,917.67</b>	<b>376,661,466.00</b>	
Note	<p>(1) Hangzhou Steam Turbine Industry and Trade Co., Ltd. , Hangzhou Hangfa Power Generating Equipment Co., Ltd., China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd., Hangzhou Steam Turbine Automobile Sales Service Co., Ltd., Hangzhou Steam Turbine Engineering Co., Ltd., Hangzhou Xiangjiang Technology Co., Ltd. and Zhejiang Turbine Import &amp; Export 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". See "II. Introduction of Related Parties and Associations" for details of the relationship between major related parties.(2) In (India) greensol power equipment private Co., Ltd., those who directly or indirectly control the company such as directors, supervisors and senior managers of the Company, or serve as directors or senior managers, are the associated legal person of the company except the legal person or other organizations of the listed company and its holding subsidiaries.</p>					

## (III) Daily Related transactions actually situations last year

In RMB

Type of related transaction	Related parties	Content	actual amount 2020 (Unaudited)	Estimated Amount in 2020	Ratio in similar business s (%)	Difference e with the authorized amount (%)
Purchasing of material from related party	Hangzhou Steam Turbine Industry and Trade Co., Ltd.	Packing box	13,120,938.28	16,300,000	0.56%	-19.50%
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generator	182,611,509.34	175,890,266	7.77%	3.82%
	China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd.	Raw material	2,575,133.30	2,000,000	0.11%	28.76%
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Vehicle	225,663.72		0.01%	
	Subtotal		198,533,244.64	194,190,266	—	—
Purchasing of fuel and power from the related parties	Hangzhou Steam Turbine Power Group Co., Ltd.	Water and electricity	9,563,774.11	9,590,000	17.64%	-0.27%
	Subtotal		9,563,774.11	9,590,000	—	—
Sales of products or merchandises of the Company to related parties	Hangzhou Steam Turbine Engineering Co., Ltd.	Turbine, compressor	69,424,617.70	86,725,664	1.64%	-19.95%
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Forging	9,655,050.32	7,600,000	0.23%	27.04%
	India greensol Company	Turbine parts	2,132,934.52	1,500,000	0.05%	42.20%
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Odd materials	355.52	-		
	Hangzhou Steam Turbine Power Group Co., Ltd..	labour protection	349.80			

	Subtotal		81,213,307.86	95,825,664	—	—
Labor service to related parties	Hangzhou Steam Turbine Power Group Co., Ltd.	Information service charge, process design fee, etc.	18,516.98	30,920,000	0.01%	-99.94%
	Hangzhou Steam Turbine Engineering Co., Ltd.	Technical services, Installation services	2,804.00		0.00%	
	Zhejiang Turbine Import & Export Co., Ltd.	Training expense	6,719.81		0.00%	
	Subtotal		28,040.79	30,920,000	—	—
Labour & services accepted from the related parties	Hangzhou Steam Turbine Engineering Co., Ltd.	Technical services	3,000,000.01	860,000	0.86%	248.84%
	Hangzhou Steam Turbine Power Group Co., Ltd.	Rental fees, trademark fees, etc.	10,333,622.08	10,261,943	2.98%	0.70%
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Freight, repair, rental	68,107,757.56	75,213,100	19.63%	-9.45%
	Hangzhou Steam Turbine Industry and Trade Co., Ltd.	Polishing, rental, property management, security	5,786,261.02	2,250,882	1.67%	157.07%
	Hangzhou Xiangjiang Technology Co., Ltd.	Rental fees	95,457.93		0.03%	
	Subtotal		87,323,098.60	88,585,925	—	—
Total			376,661,466.00	419,111,855	—	—
An explanation by the board of directors for the relatively big difference between the actual occurred amount of daily related transactions and the estimated amount (if any)		Not applicable				
An explanation by the independent directors for the relatively big difference between the actual occurred amount of daily related transactions		Not applicable				

and the expected amount(If any)	
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The estimated amount of daily related transactions for 2020 has been disclosed and approved by the first provisional shareholders' general meeting of 2020, For details, please refer to the Announcement. (2020-62、2020-68) .

## 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: Limited limited Company(State holding)

(5) Legal representative: Mr. Zheng Bin

(6) Registered capital: RMB 800 million

(7) **Main business:** 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 entrusts Hangzhou Steam Turbine Group to provide energy management services; The trademark is licensed by Hangzhou Steam Turbine Group. Trademark and energy

management services are important contents of the Company's production and operation, and the above related transactions will continue to exist.

## (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) **Main business:** 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

### 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) **Main business:**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 Industry and Trade Co., Ltd.

## 1. Profiles

(1) Date of incorporation: October 21,2013

(2) Registered address: No.119,Longchuanwu Road, Yuhang Technical Development Zone, Hangzhou,Zhejiang.

(3) Office address: No.119,Longchuanwu Road, Yuhang Technical Development Zone, Hangzhou,Zhejiang.

(4) Enterprise property: Limited liability Company(Wholly owned by a legal person who is not invested or controlled by a natural person)

(5) Legal representative: Yang Yongming

(6) Registered capital: RMB 12 million.

(7) **Main business:** sales: automobiles, auto parts, steel, hardware, wood, iron ore, iron sand, metal materials, building materials, decoration materials, mechanical equipment, electronic equipment, household appliances and accessories; Manufacture, processing and sales of wood products; Machinery and spare parts processing and sales; Warehousing services (except dangerous goods); Services: international freight forwarding by sea, air and land; Property management. (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 Automobile Sales & Service Co., Ltd.

## 2. Recent financial information

In RMB

Periods	Turnover	Net profit	Gross Assets	Net asset
Year 2019	107,031,753.23	1,918,427.42	54,191,640.00	12,663,595.38
January -September 2020	101,245,099.21	3,048,789.96	93,448,402.14	15,712,385.34

## 3. Relationship with the Company

Hangzhou Steam Turbine Industry and Trade Co., Ltd. is a holding subsidiary of Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd., in which Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. is holding 100% 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

The related transactions between the Company and Hangzhou Turbine Industry and Trade Co., Ltd. are mainly entrusted to provide packaging, polishing, leasing and other services. It is

necessary for the Company to accept these services.

**(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: 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**:: 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

Periods	In RMB			
	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 77.78% 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) 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: Sui Yongfeng

(6) Registered capital: RMB 1 million

(7) **Main business:**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 2019	585,468.59	502,152.01	2,286,216.43	1,685,162.66
January -September 2020	2,360,569.31	333,023.77	2,387,142.16	2,018,186.43

##### 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

The related transactions between the Company and China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd. are mainly to purchase imported substitute products which are highly related to the main business of the Company. China mechanical and Electrical Institute -HSTG (Hangzhou) United Institutes Co., Ltd. has the professional ability and patented technology in this product field, and the raw materials purchased by the Company from the Group can guarantee the product quality and production progress of the Company.

### **(VII)(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:** 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 related transaction between the Company and (India) greenesol power equipment private Co., Ltd. is mainly to sell steam turbine products and spare parts to it, which is a useful supplement to

the product sales channels of the Company.

### **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. Transactions between the Company and the above-mentioned related parties are stable and sustainable, and will not affect the independence 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. For related transactions submitted to the general meeting of shareholders for deliberation, all related party shareholders of the Company abstained from 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.

The related transactions between the Company and its related parties are fair in price, and the payment and collection conditions agreed in the contract conform to the market trading habits, with no transaction that harms the interests of the Company.

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

The Consent of independent directors in advance: The daily related transactions between the Company and related parties are based on the normal needs of the business development of all parties, and the pricing of related transactions is fair and reasonable, with no interest transfer or damage to the interests of the Company and shareholders. Daily related transactions will not affect the independence of the Company, nor will it adversely affect the operation of the Company. We agree to submit this proposal to the Board of Directors of the Company for deliberation.

The Independent Directors' Opinion: This proposal was reviewed and approved by the Ninth

Board of Directors of the Eighth Session of the Company, and all related directors abstained from voting. The convening procedure, voting procedure and method of the board meeting are in accordance with the *Company Law*, the *Articles of Association* and relevant normative documents. We believe: 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.

#### **VI. Documents available for inspection**

1. The Resolutions of the 9th Meeting of the Eighth Board of Directors
2. The independent directors approved the written documents of the transaction and the opinions of the independent directors in advance.

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

February 6, 2021