

Hangzhou Steam Turbine Co., Ltd.**Announcement on the absorption and merger of the wholly-owned Subsidiaries**

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. Description of the transaction**(I) Basic information**

Due to the needs of the Company's manufacturing base project construction, the Company established Hangzhou Steam Turbine Heavy Industry Co., Ltd. The construction of the project is now basically completed, and the Company's production workshop has been wholly relocated and is in normal production. Steam Turbine Heavy Industries is now a wholly-owned subsidiary to the Company. In order to optimize resource allocation, improve operational efficiency, and reduce management levels, the Company plans to absorb and merge its wholly-owned subsidiary-Turbine Heavy Industry, that is, the Company is as the main body to adopt the method of absorption and merger to merge Turbine Heavy Industry. After the merger is completed, Turbine Heavy Industry will be cancelled, and the Company will inherit all the assets, liabilities, businesses and personnel of Turbine Heavy Industry.

(II) This merger does not constitute a related transaction, nor does it constitute a major asset reorganization as prescribed in the Measures for the Administration of Major Asset Reorganizations of Listed Companies.

(III) Voting and deliberation

The Company held the 17th meeting of the 8th board of directors on September 27, 2021, in which the "Proposal on Absorption and Merger of the Wholly Owned Subsidiary" was reviewed and approved. The voting results: 9 votes in favor, 0 votes against, and 0 abstentions. There is no situation of requiring abstaining from voting on the proposal. This proposal still needs to be submitted to the Company's general shareholders' meeting for deliberation.

(IV) Whether the transaction needs to be approved by relevant departments

After the merger is completed, it's necessary to go through industrial and commercial registration procedures with the local market supervision and management department.

II. Basic information of the merged party

1. Name: Hangzhou Steam Turbine Heavy Industry Co., Ltd.
2. Unified social credit code: 91330100079344841P
3. Registered address: Room 101, No. 608, Kangxin Road, Economic and Technological Development Zone, Yuhang District, Hangzhou City, Zhejiang Province
4. Type of enterprise: limited liability company (foreign-invested enterprise with legal person sole proprietorship)
5. Legal representative: Li Jiansheng
6. Industrial and commercial registered capital: RMB 1 billion
7. Date of establishment: October 25, 2013
8. Business scope: production and manufacturing: industrial turbine machinery and equipment; services: technical development and after-sales service of steam turbines, gas turbines, compressors, rotating machinery and auxiliary equipment; wholesale: steel, building materials. (Items that are subject to approval in accordance with the law can only carry out business activities after being approved by relevant departments)

Major financial data for the most recent three and a half years (In RMB)

Items	End of June 2021	End of 2020	End of 2019	End of 2018
Total assets	1,036,357,191.69	989,232,619.58	968,325,905.16	601,979,851.73
Net assets	1,003,263,560.23	951,962,799.06	950,194,955.80	586,469,638.31
	First half of 2021	Year 2020	Year 2019	Year 2018
Operating income	16,215,844.48	7,957,401.89	7,485,881.64	124,421,761.96
Net profit	-1,159,238.83	1,767,843.26	5,912,373.90	2,599,390.62

After inquiring in the National Enterprise Credit Information Publicity System, Steam Turbine Heavy Industries is not the person who is defaulter.

III. The method, scope and related arrangements of this merger

(1) The method of this merger is to wholly merge Steam Turbine Heavy Industry by the Company. All assets, personnel, creditor's rights and debts, rights and obligations of Steam Turbine Heavy Industry and so forth are all transferred to the Company, which will be inherited by the Company. After the completion of this merger, all the remaining businesses of the merged company Steam Turbine Heavy Industry will be taken over by the Company. The Company continues to operate, and Steam Turbine Heavy Industry shall be cancelled.

(2) After both parties to the merger have performed their respective statutory examination and approval procedures, the merger and acquisition procedures shall be specifically implemented.

The both parties to the merger shall prepare balance sheets and asset lists, and perform the procedures for notifying creditors and procedures of announcements.

(3) The both parties to the merges shall jointly complete the delivery of all assets of Steam Turbine Heavy Industry to the merging party, and handle the asset transfer procedures and related ownership change registration procedures.

IV. Impact of the merger on the Company

(1) This merger is conducive to the optimization of the Company's resource allocation and improving operational efficiency, which conforms to the Company's development strategy and will have a positive impact on the Company's development.

(2) The merged party-Steam Turbine Heavy Industry is a wholly-owned subsidiary to the Company, and its financial statements have been included in the Company's consolidated financial statements. Therefore, this merger will not have a substantial impact on the Company's status, and it will not harm the interest of the Company and its Shareholders.

(3) The merger does not involve changes in the Company's total share capital and registered capital.

V. Documents available for inspection

The Resolutions of the 17th Meeting of the 8th Board of the Company.

This announcement is hereby made.

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

September 28, 2021