

Hangzhou Steam Turbine Power Group Co., Ltd.
Announcement on Capital Increase and Investment of Zhejiang Ranchuang in
Western Power

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 Outbound Investment

In order to improve the comprehensive competitiveness of gas turbine industry, extend the industrial chain of gas turbine, Hangzhou Steam Turbine Power Group Co., Ltd. (referred to as "the Company") will invest in Pengzhou Western Power Blue Technology Co., Ltd. (referred to as "Western Power" or "the Target Company") through the equity transfer and capital increase of Zhejiang Ranchuang Turbine Machinery Co., Ltd. (a wholly-owned subsidiary of the company, referred to as "Zhejiang Ranchuang"). The specific matters are as follows:

(1) Transaction mode

1. The Company's capital increase in Zhejiang Ranchuang:

According to the capital demand of Zhejiang Ranchuang to invest in Western Power and the need of its continuous operation and development, the Company increased the capital in Zhejiang Ranchuang by RMB 130 million, and increased the registered capital of Zhejiang Ranchuang from RMB 25 million to RMB 155 million.

2. Zhejiang Ranchuang's investment in the Western Power:

(1) Zhejiang Ranchuang plans to acquire 20 million shares of Western Power held by Chengdu Mengjiang Investment Group Co., Ltd. ("Chengdu Mengjiang") through public delisting;

(2) Zhejiang Ranchuang plans to acquire 15 million shares of Western Power held by Liaoning Passion Energy Technology Service Co., Ltd. (hereinafter referred to as "Liaoning Passion") and 3 million shares of Western Power held by Liu Yuhuan by non-public agreement;

(3) Zhejiang Ranchuang increased its capital by 43 million shares to Western Power.

After the above-mentioned transaction is completed, the changes of the ownership structure of Western

Power are as follows:

No	Name of shareholder	Shares held by each party before the transaction		Shares held by each party after the transaction	
		Number of shares (10,000shares)	Shareholding ratio	Number of shares (10,000shares)	Shareholding ratio
1	Liaoning Passion Energy Technology Service Co., Ltd.	5,000	50%	3,500	24.48%
2	Chengdu Mengjiang Investment Group Co., Ltd.	3,000	30%	1,000	6.99%
3	Liu Yuhuan	2,000	20%	1,700	11.89%
4	Zhejiang Ranchuang Turbine Machinery Co., Ltd.	0	0	8,100	56.64%
Total		10,000	100%	14,300	100%

(II) Transaction price

1. Pricing of stock rights acquired by public delisting:

According to the listing announcement of Chengdu Mengjiang's equity transfer in Southwest United Equity Exchange, the listing price of 20% equity (20 million shares) of Western Power held by Chengdu Mengjiang is RMB 25.2 million, Zhejiang Ranchuang will quote according to the listed price, and the final transaction price will be subject to the actual transaction price confirmed by Southwest United Equity Exchange.

2. Pricing of acquiring part of equity and increasing capital by agreement

Main contents of the assessment report: On May 31, 2022 as the base date, the book net assets of Western Power were RMB 61.2525 million on the base date, according to the special audit by Pan-China Certified Public Accountants (special general partnership) and assessment by Beijing North Asia Asset Assessment Firm (special general partnership). The income method was adopted as the final shareholder's total equity value, and the net assets of Western Power was RMB 96.88 million on the base date.

On the basis of the assessed value of 100% equity of Western Power, the transaction price of the underlying assets held by each counterparty is confirmed according to the following principles, and the capital increase price is determined accordingly:

The assessed price for the acquisition of shares of Western Power held by some shareholders = (assessed value of all the rights and interests of 100% shareholders of Western Power + unpaid capital contribution of shareholders of Western Power) × proportion of subscribed capital contribution corresponding to the equity to be acquired - unpaid capital contribution corresponding to the shareholder in the acquired equity.

In principle, the transaction price of this investment in Western Power is based on the assessment value, and it is not higher than the price after the audit assessment and filing confirmation. According to the above formula, the transaction assessed value of 15 million shares (15% equity) of Western Power held by Liaoning Passion and 3 million shares (3% equity) of Western Power held by Liu Yuhuan are RMB 19.233 million and RMB 3,846,600 respectively, and the capital increase of 43 million shares requires RMB 55,134,600. Based on the assessed value of the above transaction, the agreed purchase price and capital increase price are determined at RMB 1.27/share through negotiation by all parties, that is, 15 million shares of Western Power held by Liaoning Passion are acquired at RMB 19.05 million, 3 million shares of Western Power held by Liu Yuhuan are acquired at RMB 3.81 million, and 43 million shares of Western Power are increased at a price of RMB 54.61 million.

(III) Calculation of total investment

If Zhejiang Ranchuang finally clinches a deal at Chengdu Mengjiang's listing price of RMB 25.2 million, and Zhejiang Ranchuang receives the shares of Liaoning Passion and Liu Yuhuan at the above-mentioned negotiated transaction price and increases its capital to Western Power, the above-mentioned total investment is estimated to be RMB 102.67 million. Considering the uncertainty of public delisting, the final investment amount shall be subject to the actual transaction amount.

(IV) Other relevant explanations.

On January 13, 2023, the Company held the 31st Meeting of the Eighth Board of Directors, which reviewed and approved the *Proposal on Capital Increase and Investment in Western Power of Zhejiang Ranchuang*, which need not be submitted to the General Meeting of Shareholders for consideration.

This outbound investment still needs the approval of Hangzhou State-owned Assets Supervision and Administration Department or relevant competent authorities.

The source of funds for this outbound investment is its own funds. This investment does not involve related party transactions, and does not constitute a major asset restructuring as stipulated in the *Administrative Measures for Major Asset Restructuring of Listed Companies*.

II. Basic situation of Zhejiang Ranchuang

1. Company name: Zhejiang Ranchuang Turbine Machinery Co., Ltd.
2. Address: Room 506, South Building, No.2 Chaofeng East Road, Linping Economic Development Zone, Hangzhou City, Zhejiang Province

3. Legal representative: Sui Yongfeng

4. Registered capital: RMB 25 million

5. Date of establishment: February 28, 2019

6. Business Term: February 28, 2019 to long term

7. Business scope: technical development, product development, production & manufacturing, testing, technical service, technology transfer, technical consultation and sales in the fields of spare parts, equipment, systems and spare parts related to rotating machinery such as gas turbines; patent agency. (For projects that are subject to approval according to law, business activities can only be carried out after being approved by relevant departments)

8. Equity structure

Hangzhou Steam Turbine Power Group Co., Ltd. holds 100% equity of Zhejiang Ranchuang.

9. Financial situation

In RMB					
Period	Total assets	Total liabilities	Net assets	Operation revenue	Net profit
2020	48000366.07	23627267.89	24373098.18	0	460604.47
2021	39661022.19	14699385.17	24961637.02	0	588538.84
January -October 2022 (Unaudited)	38204245.07	11636403.49	26567841.58	0	856204.56

III. Introduction of Counterparty

1. Chengdu Mengjiang Investment Group Co., Ltd.

Company name	Chengdu Mengjiang Investment Group Co., Ltd.
Address	Room 301, 3/F, Building 2, No.999, Section 3, East Third Ring Road, Pengzhou City, Sichuan Province
Legal representative	Hu Chongyang
Registered capital	RMB 147.04488 million
Company type	Other Limited liability Company
Unified social credit code	91510182660488523H
Date of establishment	May 23, 2007
Business Term	May 23, 2007 to no fixed term

Business scope	Licensed projects: construction projects (projects that need to be approved according to law can only be operated after being approved by relevant departments, and specific business projects are subject to the approval documents or permits of relevant departments). General projects: investment activities with self-owned funds; enterprise management consulting; municipal facility management; urban greening management; urban park management; urban and rural city appearance management; engineering management services; landscape and greening engineering construction; property management; housing lease; non-residential real estate lease; commercial complex management services; sales of building materials; sales of metal materials; park management services; supply chain management services (except for the projects that must be approved according to law, for which business activities shall be carried out independently according to law as per the business license).
Registration authority	Pengzhou Market Supervision and Administration

The shareholding structure of Chengdu Mengjiang is as follows:

No	Name of shareholder	Amount of subscribed capital contribution (RMB '0,000)	Shareholding ratio (%)
1	Chengdu Jianjiang Investment Group Co., Ltd.	13,234.0392	90
2	Sichuan Provincial Finance Department	1,470.4488	10
Total		14,704.488	100

Chengdu Jianjiang Investment Group Co., Ltd. is a 100% owned subsidiary of Pengzhou Finance Bureau(Pengzhou State-owned Assets Supervision and Administration and Financial Work Bureau).

2. Liaoning Passion Energy Technology Service Co., Ltd.

Company name	Liaoning Passion Energy Technology Service Co., Ltd.
Address	No.6 Workshop of Rainbow Incubation Park, Guantai Park, Tieling Economic Development Zone, Liaoning Province
Legal representative	Liu Qing
Registered capital	RMB 5 million
Company type	Limited liability company (wholly owned by natural person)

Unified social credit code	91211200353576611F
Date of establishment	August 14,2015
Business Term	August 14,2015 to August 13, 2045
Business scope	Production equipment, processing, maintenance, installation, commissioning and technical services of power generation equipment, gas turbine, steam turbine and generator parts and accessories; machinery and equipment processing, manufacturing, maintenance and technical services; import and export of goods and technologies (for projects that are subject to approval according to law, business activities can only be carried out after they are approved by relevant departments.) .
Registration authority	Tieling Market Supervision and Administration

The shareholding structure of Liaoning Passion Energy Technology Service Co., Ltd. is as follows:

No	Name of shareholder	Amount of capital contribution (RMB '0,000)	Paid-in capital contribution (RMB '0,000)	Shareholding ratio (%)
1	Liu Qing	500	500	100
Total		500	500	100

3. Liu Yuhuan

Liu Yuhuan, female, ID number: 510182199501*****, address *****, holds 20% equity of Western Power.

IV. Basic Information of the Target Company

(1) Basic information

Company name	Pengzhou Western Power Blue Technology Co., Ltd.
Address	Group IV, Baihe Village, Lichun Town, Pengzhou City, Chengdu City, Sichuan Province
Legal representative	Liu Qing
Registered capital	RMB 100 million
Company type	Other Limited liability Company
Unified social credit code	91510182MA61W5XJ2C
Date of establishment	June 12,2016
Business Term	June 12, 2016 to no fixed term

Business scope	General projects: technical service, technical development, technical consultation, technical exchange, technology transfer and technology promotion; manufacturing of steam turbines and auxiliary engines; manufacturing of generators and generator sets; electrical equipment repair; manufacture of motor; general equipment repair; repair of metal products; manufacturing of general equipment (excluding manufacturing of special equipment); leasing of mechanical equipment; installation service of general mechanical equipment; sales of generators and generator sets; special equipment rental; maintenance of electronic and mechanical equipment (excluding special equipment); sales of steam turbines and auxiliary engines; non-ferrous metal casting; manufacturing of forgings and powder metallurgy products; sales of forgings and powder metallurgy products; manufacturing of special equipment (excluding licensed professional equipment manufacturing); sales of non-ferrous metal alloy; manufacturing of non-ferrous metal alloy; import and export of goods; import and export of technology (except for the items subject to approval according to law, for which business activities shall be carried out independently according to law as per business license).
Registration authority	Pengzhou Market Supervision and Administration

(2) Basic financial situation

In RMB 10,000

Items	November 30,2022	December 31,2021	December 31,2020
Total assets	8,575.24	8,977.37	7,505.97
Total liabilities	156.05	2,811.36	1,187.69
Net assets	7,006.19	6,166.01	6,318.28
Operation revenue	781.09	5,593.38	1,774.50
Net profit	179.27	578.36	71.79

Note: The financial data of 2020 is selected from the *Audit Report* [CJXKS Zi (2021)No. B110] issued by Sichuan Jiexin Certified Public Accountants, the financial data of 2021 is selected from the *Audit Report* [TJS (2022) No.9433] issued by Pan-China Certified Public Accountants, and the financial data of November 2022 is selected from Chengdu Mengjiang's listing announcement on Southwest United Equity Exchange.

(3) Other explanations

1. According to the legal opinion issued by Shanghai Allbright (Hangzhou) Law Firm, there are no other rights restrictions such as pledge on the equity held by the existing shareholders of Western Power. Through inquiries on websites such as "Credit China", "National Enterprise Credit Information Publicity System" and "China Judgment Document Network", no major records of dishonesty, major administrative punishment or major litigation of Western Power have not found.

2. According to the *Articles of Association* of Western Power dated November 30, 2022, except for the increase or decrease of registered capital of Western Power, merger, division, dissolution, liquidation or change of company form, the approval of the general meeting of shareholders in the *Articles of Association* of Western Power requires the approval of shareholders representing more than three-quarters of the voting rights. In addition to the normal business activities of Western Power, the shareholder Chengdu Mengjiang has one veto on other major issues affecting the rights and interests of shareholders in Chengdu Mengjiang, such as other investments and liabilities. In addition to the above clauses, there are no other special clauses that restrict shareholders' rights except laws and regulations in the Articles of Association of Western Power. After the investment is completed, Zhejiang Ranchuang, as the controlling shareholder, will revise the *Articles of Association* of Western Power.

V. Main Contents of Outbound Investment Contract

The contracts or agreements signed by Zhejiang Ranchuang and related parties are as follows:

1. The equity transaction contract to be signed by Zhejiang Ranchuang and Chengdu Mengjiang

According to the announcement of Chengdu Mengjiang's listing on Southwest United Equity Exchange, the listing price of 20% shares (20 million shares) of Western Power sold by Chengdu Mengjiang this time is RMB 25.2 million. The start and end date of listing is from December 19, 2022 to January 16, 2023. The deposit required for this transaction is RMB 12.6 million. This transaction is settled through the special account of Southwest United Equity Exchange.

If Zhejiang Ranchuang is finally delisted, Zhejiang Ranchuang will sign the *Equity Transaction Contract* with Chengdu Mengjiang. For other related matters, please refer to the listing announcement of Chengdu Mengjiang in Southwest United Equity Exchange.

2. Main contents of the *Framework Agreement on Equity Transaction of Pengzhou Western Power Blue Technology Co., Ltd.*:

Transaction subject	Party A: Zhejiang Ranchuang Turbine Machinery Co., Ltd. Party B: Pengzhou Western Power Blue Technology Co., Ltd. Party C 1: Liaoning Passion Energy Technology Service Co., Ltd. Party C 2: Liu Yuhuan Party D 1: Liu * (General manager and director of the Target Company) Party D 2: Jiang * (Chairman of the Target Company)
Transaction price, pricing basis and payment method	The first transaction shall be publicly listed on the equity exchange, and Zhejiang Ranchuang has the obligation to participate in the auction (delisting) and submit a valid quotation within the period specified by the equity exchange. After delisting, it shall sign and perform the final equity transaction contract according to the relevant procedures of the entry transaction. The transaction price and payment method are determined according to the listing transaction results of the equity transaction center. The second transaction price is based on the assessed value of 100% equity of Western Power as determined in the <i>Asset Assessment Report</i> issued by Beijing North Asia Asset Assessment Firm (special general partnership) with the document number of BFYSPB Zi [2022] No. 01-739, considering the fact that some shareholders' contributions have not been paid in full, and the price of this transaction is determined to be RMB 1.27/contribution amount through negotiation between all parties. For the above transactions, the transaction consideration shall be paid to the counterparty in cash.
Special provisions	After the completion of this transaction, Liaoning Passion will hold a capital contribution of RMB 35 million from Western Power, and all parties agree that Liaoning Passion will actually pay in RMB 13 million, and the remaining capital contribution will be paid according to the provisions of the Target Company's articles of association. All parties agree that, if the capital contribution fails to be paid in place on time, Zhejiang Ranchuang will decide the disposal plan of such unpaid capital contribution. If Zhejiang Ranchuang intends to undertake it, the transaction consideration will be determined according to the initial RMB 1/capital contribution or the assessed value (whichever is lower).
Taxes and expenses	Unless otherwise agreed in this agreement, the statutory taxes, government fees and expenses that should be paid due to the implementation of the transactions described in this agreement shall be borne by each party according to law.

Liability for breach of contract	The second transaction mentioned in Article 2 of this Agreement shall be based on the fulfillment of the first transaction. After the fulfillment of the first transaction, other parties shall actively promote the second transaction with Party A. If any of the parties (the "defaulting party") fails to promote the second transaction according to the requirements of this agreement, such behavior shall be regarded as a breach of contract, and the observant party has the right to require the defaulting party to pay RMB 5 million as liquidated damages in one lump sum in addition to the liability for breach of this agreement.
Establishment and effectiveness of the agreement	This agreement shall come into force as of the date when the legal representatives or authorized representatives of all parties hereto sign and affix their official seals. This agreement will come into effect after Hangzhou Steam Turbine Power Group Co., Ltd. has the right to implement legal procedures at the decision-making meeting to consider and approve the relevant proposals of this transaction.

3. Supplementary Agreement to Framework Agreement on Equity Transaction

Transaction subject	Party A: Zhejiang Ranchuang Turbine Machinery Co., Ltd. Party B: Liaoning Passion Energy Technology Service Co., Ltd. Party C: Liu * Party D: Jiang *
Special provisions	1. Solving horizontal competition Party B, Party C and Party D promise to properly solve the problem of horizontal competition among affiliated enterprises, and properly handle the same or similar situations between affiliated enterprises and the Target Company by changing the business scope, transferring equity or other means. 2. Stabilization and control of core personnel Party B, Party C and Party D promise to actively cooperate with Party A's work after the control right of the Target Company is handed over to Party A, so as to ensure the smooth transition of the Target Company and maintain the stability of the technical and business backbone. 3. Intellectual property provisions The Target Company has complete, legal and effective ownership and disposition rights of trademarks, patents, proprietary technology, domain names, software and other intellectual property rights (hereinafter collectively referred to as "intellectual property rights") used in the business process, and has not set any other

	encumbrances such as mortgage, pledge and guarantee, and there are no compulsory measures such as freezing, seizure and sealing up, nor any litigation, arbitration and administrative investigation procedures involved; Except disclosed to investors at the time of signing the agreement, the Company has not entered into any agreement, arrangement or understanding or otherwise that allows others to use any intellectual property rights it owns. The Target Company, existing shareholders, Party C and Party D have fully disclosed the Company's intellectual property rights to investors, and there are no infringing debts or other forms of creditor's rights, debts and external guarantees due to intellectual property rights, or the circumstances of possibly being subject to recourse by a third party and any other circumstances that may cause property losses of the company or investors, otherwise the existing shareholders shall bear all losses and legal responsibilities caused to the Target Company and investors. Party C and Party D shall be jointly and severally liable for the Company's intellectual property related contingent liabilities (including but not limited to potential liabilities and risks) before the delivery date. 4. Organizational structure arrangement Party A has the right to change the articles of association of the Target Company and appoint the Company's directors, senior managers, supervisors, etc. according to the provisions of the articles of association. Party B, Party C and Party D promise to cooperate in handling the work handover of directors, senior managers and supervisors.
Liability for breach of contract	If any party (the "defaulting party") fails to fully, properly and timely perform any commitments or provisions under this agreement, such behavior shall be deemed as a breach of contract, and the observant party has the right to require the defaulting party to make full compensation for all losses, liabilities, expenses (including investigation fees, attorney's fees, etc. paid for investigating the responsibility of the defaulting party) incurred by the observant party due to this breach.
Establishment and effectiveness of the agreement	This agreement shall be established as of the date of signature and seal of all parties, and shall come into effect at the same time as the <i>Framework Agreement on Equity Transaction</i> comes into effect. If the Framework Agreement on Equity Transaction is dissolved or terminated, this Agreement will be dissolved or terminated automatically.

4. Main contents of *Equity Transfer Agreement* to be signed by Zhejiang Ranchuang and Liaoning Passion

Transaction subject	Party A (Transferor): Liaoning Passion Energy Technology Service Co., Ltd. Party B (Transferee): Zhejiang Ranchuang Turbine Machinery Co., Ltd.
Transaction price, pricing basis and payment method	The Transferor will transfer its 15% equity of the Target Company (corresponding to the capital contribution of RMB 15 million) to Party B. Through negotiation between the Parties, it is determined that the transaction price is RMB 1.27/contribution amount, and the transfer price of the underlying equity is RMB 19.05 million. The equity transfer price shall be paid by the Transferee to the Transferor in one lump sum within 5 working days after this agreement comes into effect.
Equity delivery	The date when the industrial and commercial change registration of this equity transfer is completed is the equity delivery date. After the equity delivery date, the Transferee shall be entitled to the shareholders' rights and undertake the shareholders' obligations in accordance with the laws and regulations and the articles of association of the Target Company.
Transition period arrangement	This agreement comes into effect until the date of equity delivery, which is the transition period of this equity transfer. During the transition period, the Transferor shall exercise the rights of shareholders of the Target Company in good faith, and shall not dispose of the equity of the Target Company in any form, including but not limited to equity pledge, entrusted management, etc.
Liability for breach of contract	1. If the Transferee fails to issue the equity transfer payment on time as agreed in this agreement, it shall pay 0.5% of the overdue price as liquidated damages for each overdue day. 2. If the Transferor fails to assist the Transferee to complete the industrial and commercial change procedures of all equity transfer under this agreement within the time agreed herein, the Transferor shall pay the liquidated damages of 0.5% of the amount paid by the Transferee for each overdue day; If it is overdue for more than 30 days, the Transferee has the right to unilaterally terminate this agreement, and the Transferor shall not only return all the equity transfer payment issued by the Transferee, but also pay the Transferee 20% of the target amount of this agreement as liquidated damages. 3. If the Transferor violates this agreement and makes false statements, guarantees or fails to fulfill its commitments, it shall pay the Transferee 20% of the target amount of this agreement as liquidated damages, and compensate the actual losses of the Transferee. At the same time, the Transferee has the right to unilaterally terminate this contract.

	4. If the Transferor fails to provide timely, accurate and complete information or the Target Company has false assets and/or undisclosed debts after the equity delivery due to the Transferee's reason, the Transferor shall multiply the amount of inflated assets and/or undisclosed debts by the proportion of this equity transfer, supplement the target amount to the Transferee in cash, and pay the Transferee 20% of the amount of this agreement as liquidated damages. 5. If either party of this agreement violates other obligations stipulated in this agreement, the defaulting party shall pay 20% of the target amount of this agreement as liquidated damages to the observant party.
Establishment and effectiveness of the agreement	This agreement is established after being signed by Party A and Party B, and comes into effect after the Transferee has completed the necessary review and approval procedures for this equity transfer.

5. Main contents of *Equity Transfer Agreement* to be signed by Zhejiang Ranchuang and Liu Yuhuan

Transaction subject	Party A (Transferor): Liu Yuhuan Party B (Transferee): Zhejiang Ranchuang Turbine Machinery Co., Ltd.
Transaction price, pricing basis and payment method	The Transferor will transfer its 3% equity of the Target Company (corresponding to the capital contribution of RMB 3 million) to Party B. Both parties agree that the transfer price of the target equity is based on the assessed value of 100% equity of Western Power determined in the <i>Asset Assessment Report</i> issued by Beijing North Asia Asset Assessment Firm (special general partnership) with the document number of BFYSPB Zi [2022] No.01-739, considering the fact that some shareholders' contributions have not been paid in full, and the transaction price is determined to be RMB 1.27/contribution amount through negotiation between both parties, and the transfer price of the target equity is RMB 3.81. The equity transfer price shall be paid by the Transferee to the Transferor in one lump sum within 5 working days after this agreement comes into effect and the Transferor has paid all the capital contribution of RMB 20 million.

Terms on equity delivery, transition period arrangement, liability for breach of contract, establishment and effectiveness of the agreement are consistent with the aforementioned *Equity Transfer Agreement* signed by Zhejiang Ranchuang and Liaoning Passion.

VI. Purpose, Existing Risks and Impact on the Company of Outbound Investment

1. Purpose of investment

(1) Double carbon strategy provides an opportunity for the development of gas turbine

The "14th Five-Year Plan" is the key period and window period for peak carbon dioxide emissions. Under the current situation that China is making overall plans to well ensure peak carbon dioxide emissions and carbon neutrality, natural gas power generation and its driving core equipment-gas turbine will usher in new development opportunities and a window period. With the increase of gas turbines in China and the popularization of distributed energy application scenarios, the market demand of gas turbines continues to heat up, and the market prospect is promising.

(2) The need of the Company's strategy implementation

The Company's "14th Five-Year Plan" strategic plan will speed up business transformation and upgrading, and realize the transformation to "service-oriented manufacturing". It will promote gas turbine business cooperation, master the system integration capability of distributed energy, master the technology and service capability of gas turbine, and expand the market influence of gas turbine.

2. Existing risks

(1) Market competition risk

Although the technical threshold of gas turbine business is high, there is still some market competition. The gas turbine market is large in volume and high in profit, which may attract more competitive market players, and there is a certain market competition risk.

(2) Industrial policy risk

The development of the industry of Zhejiang Ranchuang is highly dependent on the national industrial policy. In the future, there will be the risk that the income will not reach the expected level due to the policy influence such as the change of environmental protection policy, the reduction of tax incentives and the decline of subsidies. The Company will pay close attention to the changing trends of national policies, industrial policies and tax policies, and adjust its business strategy in time to adapt to market changes.

(3) Risk of control rights

After Zhejiang Ranchuang invests in Western Power, it will strengthen the management and business development of Western Power, and will change the Target Company's articles of association and appoint the company's directors, senior managers, supervisors, etc. according to the provisions of the articles of association

when the equity transfer goes through the formalities of industrial and commercial change registration. However, according to the *Articles of Association* of Western Power, Zhejiang Ranchuang's Target Company still needs the cooperation of other shareholders to amend the Articles of Association and appoint directors, supervisors and senior managers.

3. Impact of project investment

(1) This capital increase and investment will help Zhejiang Ranchuang to expand its gas turbine business, conform to the Company's strategic planning and business development direction, expand the scale of its gas turbine business, increase the source of business income, enhance the Company's market competitiveness and profit growth point, and conform to the overall interests of the Company, with no harm on the interests of small and medium investors.

(2) The funding source of this capital increase and investment comes from the Company's own funds. The Company's stable operation and its capital situation can meet this capital increase arrangement. This capital increase and investment will not have any significant adverse impact on the Company's financial and operating conditions.

(3) The field of Zhejiang Ranchuang's business is greatly affected by macro policies and market risks, and the expected income from business development is uncertain. The Company will fulfill its information disclosure obligations in accordance with the regulations based on the development of Zhejiang Ranchuang's Business, so investors are requested to invest rationally and pay attention to investment risks.

(4) According to the relevant provisions of the *Accounting Standards for Business Enterprises*, after Zhejiang Ranchuang completes the above transaction, Zhejiang Ranchuang will hold 56.64% equity of Western Power (estimated), and the Company will incorporate Western Power into the scope of financial statements consolidation.

VII. Documents for Reference

1. The audit report on the assets and capital verification of Western Power issued by Pan-China Certified Public Accountants (TJS [2022] No.9433);

2. The asset assessment report on Western Power issued by Beijing North Asia Asset Assessment Firm (BFYSPB Zi [2022] No.01-739);

3. The legal opinion on Zhejiang Ranchuang's investment in Western Power issued by Shanghai Allbright (Hangzhou) Law Firm ([2022] NSJHFS Zi No.40908);

4. The feasibility analysis report on investment in Western Power issued by Zhejiang Ranchuang;
5. The Articles of Association of Western Power (revised by the General Meeting of Shareholders on November 30, 2022);
6. The announcement on the listing of Chengdu Mengjiang's equity transfer in Southwest United Equity Exchange(<https://www.swuee.com/#/projectDetail/f6e27eabbbad4f15bb70c38610ad4286.html>)

The Board of Directors of Hangzhou Steam Turbine Power Group Co., Ltd.
January 17, 2023