

**Hangzhou Steam Turbine Co., Ltd.**  
**Announcement on Joint External Investment and Related Transactions with**  
**Related Parties**

*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 the external investment namely the related party transaction**

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

In order to develop, drive and guide the development of core technologies in the relevant fields of the gas turbine machinery industry chain and promote the transformation and upgrading of the high-end equipment manufacturing industry in Zhejiang Province, Hangzhou Steam Turbine Co., Ltd., based on the application for the research & development of gas turbines and according to the relevant guidance of the government department, together with the related institutes and companies decided to set up Zhejiang Ruanchuang Turbine Machinery Co., Ltd.

Zhejiang Ruanchuang Company is set up by seven sponsors namely Hangzhou Steam Turbine Power Group Co., Ltd., Hunan Chongde Industrial Technology Co., Ltd., Hengfeng Tools Co., Ltd., Mechanical Science Research Institute Zhejiang Branch Co., Ltd., Hangzhou Bohua Laser Technology Co., Ltd., Zhejiang Hengying Power Technology Co., Ltd. Thereinto, the Company subscribed the capital contribution of 11.4 million yuan, meaning to hold 45.60% stake.

As Hangzhou Steam Turbine Power Group Co., Ltd. is the controlling shareholder of the Company, there is a related relationship between it and the Company. According to the “Stock Listing Rules of Shenzhen Stock Exchange” and the related regulations, this capital contribution is a joint investment behavior between the Company and the related party, so it constitutes a related transaction.

**(II) Board of Directors' deliberation**

On February 25, 2019, the Company held the 29th meeting of the 7th Board of Directors by means

of telecommunication voting. The connected directors Zheng Bin, Yang Yongming, Ye Zhong and Li Guiwen abstained from voting on the proposal; With 6 votes in favor, 0 votes against and 0 abstentions, the “Proposal on the External Investment namely the Related Transaction” was considered and passed. The independent directors of the Company pre-approved the related party transaction and issued the independent opinion.

According to the "Shenzhen Stock Exchange Listing Rules" and other relevant regulations, this transaction can be implemented after approval by the board of directors of the Company, and it does not need to be submitted to the shareholders' meeting for consideration.

(III) The transaction neither constitutes a major asset restructuring nor constitutes a backdoor listing according to Measures for the Administration of Major Asset Restructuring of Listed Companies. without the approval of relevant departments.

## II. Basic Information of the Investment Partners

### (1) Related Parties

#### 1. Hangzhou Steam Turbine Power Group Co., Ltd.

(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: 800 million yuan

(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.

#### 2. Recent financial information (on consolidated range)

In RMB Yuan

Periods	Turnover	Net profit	Gross Assets	Net asset
Year 2017	102,930,921,802.47	641,624,652.28	38,769,187,457.55	9,941,197,000.88
January- September 2018	72,008,466,363.53	449,895,350.69	39,331,765,935.81	9,895,264,929.96

## (II) Non-related Parties

### 1. Hunan Chongde Industrial Technology Co., Ltd.

(1) Date of Incorporation: November 12, 2003

(2) Registered address: No. 9 Chayuan Road, High-tech Zone, Xiangtan City.

(3) Nature of the enterprise: limited liability company (natural person investment or holding)

(4) Legal representative: Mr. Zhou Shaohua

(5) Registered capital: 11 million yuan

(6) Main business: development, design, manufacture, repair and sales of machinery and electrical products, technical processing services (items restricted by laws and regulations shall be subject to the special approval); self-operate and act as agent of various commodities and technologies exports, except for goods and technologies that are restricted or prohibited by the state.

(7). Recent financial information (on consolidated range)

In 10 thousand Yuan

Periods	Turnover	Net profit	Gross Assets	Net asset
Year 2017	22,180.90	4,053.24	43,817.63	20,307.55
Year 2018	24,250.67	4,168.97	42,594.26	24,476.52

### 2. Hengfeng Tools Co., Ltd.

(1) Date of incorporation: July 17, 1997

(2) Registered address: No. 239 Xinqiao North Road, Wuyuan Town, Haiyan County

(3) Nature of the company: other company limited by shares (listed)

(4) Legal representative: Mr. Chen Errong

(5) Registered capital: 104.918712 million yuan

(6) Main business: manufacturing, processing and grinding of measurement tools and cutting tools, mould tools, mechanical equipment and parts, electronic equipment and parts; wholesale and retail of steel and non-ferrous metals; cutting tool technology development services.

(7). Recent financial information (on consolidated range)

In 10 thousand Yuan

Periods	Turnover	Net profit	Gross Assets	Net asset
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Year 2017	32,407.71	9,624.31	105,031.04	88,045.59
Third quarter of 2018	25,844.16	8,808.33	109,549.12	94,306.90

### 3. Mechanical Science Research Institute Zhejiang Branch Co., Ltd.

(1) Date of incorporation: June 23, 2005

(2) Registered address: No.175 Zhonghe Middle Road, Shangcheng District, Hangzhou, Zhejiang.

(3) Nature of the enterprise: Other Limited liability company

(4) Legal representative: Mr. Wang Xifeng

(5) Registered capital: 4 million yuan

(6) Main business: Technology development, consulting, service and transfer of new technologies, new materials, new products and new equipment in the electromechanical industry; technology development, consulting, services and achievement transfer of electronic computer and automation, environmental protection and comprehensive utilization of resources; contracting of electronic computer networking projects; contracting of environmental engineering projects; organization of production: mechanical and electrical products; wholesale and retail for: mechanical and electrical equipment and spare parts, metal materials, monitoring equipment and parts; import and export of goods, technology import and export (except for items prohibited by laws and regulations, items restricted by laws and regulations may not be operated until a license is obtained); Including the business scope of its subordinate branches; any other legal items that do not require approval; (Projects subject to approval according to law may be operated after approval by relevant departments)

(7). Recent financial information (on consolidated range)

In 10 thousand Yuan

Periods	Turnover	Net profit	Gross Assets	Net asset
Year 2017	2,022.67	101.13	2,077.27	1,102.40
Third quarter of 2018	2,057.07	102.85	2,617.40	1,098.18

### 4. Hangzhou Bohua Laser Technology Co., Ltd.

(1) Date of incorporation: August 19, 2003

(2) Place of Registration: Room 102, 1st Floor, Building 1, No. 17, Jiuhe Road, Jianggan District, Hangzhou City

(3) Nature of the enterprise: limited liability company (natural person sole proprietorship)

(4)Legal representative: Mr.Wang Xifeng

(5) Registered capital:2 million yuan

(6) Main business: production and processing: industrial metal parts (except for items needing pre-approval by national laws and regulations); Wholesale and retail: whole sets of laser equipment; services: development, transfer, consulting, service of laser technology; remanufacturing and repair technology development, technology transfer, technical consulting, technical services; all other legal items that do not require report and approval.

(7). Recent financial information (on consolidated range)

In RMB Yuan

Periods	Turnover	Net profit	Gross Assets	Net asset
Year 2017	4,938,472.04	1,520,561.48	9,900,558.36	9,696,737.83
Year 2018	4,967,575.22	1,562,270.19	11,372,451.4	11,101,186.38

5. Zhejiang Hengying Power Technology Co., Ltd.

(1) Date of incorporation:January 16,2017

(2) Place of Registration: Building 8, No. 38-2, Xingmei Avenue, Meizhu Town, Xinchang County, Zhejiang Province

(3) Nature of the enterprise: other limited company (unlisted)

(4)Legal representative: Mr.Chen Yiying(YINGCHEN)

(5) Registered capital:30 million yuan

(6) Main business: power technology research and development; research and development, production and sales: aviation and aerospace gas turbine engine parts; research and development, production, sales and technical consulting services for high-purity metal materials (except for precious and rare metals) and alloys, research and development, production, sales and technical consulting services of titanium metal and titanium alloy (the above production and business activities shall not be conducted without the approval of the environmental protection department); mechanical equipment leasing; new material technical services, internal combustion engine and aircraft engine blade technical services; import and export of goods, technology export. (Projects subject to approval according to law may be operated after approval by relevant departments)

(7). Recent financial information (on consolidated range)

In 10 thousand Yuan

Periods	Turnover	Net profit	Gross Assets	Net asset
Year 2017	0	0	22,364.75	1,309.32
Year 2018	617.33	0	22,365.95	-1,552.31

### III. The basic information of the subject company established by joint investment

#### (1) Company information of the company to be established

1. Company Name: Zhejiang Ruanchuang Turbine Machinery Co., Ltd.

2. Legal representative: Sui Yongfeng

3. Place of Registration: Room 506, South Building, No. 2 Chaofeng East Road, Yuhang Economic Development Zone, Hangzhou City

4. Registered capital: 25 million yuan

5. Business Scope: engages in technology development, product development, manufacturing, testing, technical services, technology transfer, patent operation, external investment and sales in the fields of parts, equipment, systems and spare parts related to rotating machinery such as gas turbines. (Subject to the business scope approved by the company registration authority).

The above-said company information of the company to be set-up shall be subject to the final approval by the administrative department for industry and commerce.

#### (II) Equity Structure

Shareholder Name	Subscribed Capital Contribution(Ten thousands)	Shareholding Ratio
Hangzhou Steam Turbine Co., Ltd.	1140	45.6%
Hangzhou Steam Turbine Power Group Co., Ltd.	1000	40%
Hunan Chongde Industrial Technology Co., Ltd.	100	4%
Hengfeng Tools Co., Ltd.	85	3.4%
Mechanical Science Research Institute Zhejiang Branch Co., Ltd.	75	3%
Hangzhou Bohua Laser Technology Co., Ltd.	50	2%
Zhejiang Hengying Power Technology Co., Ltd.	50	2%

### IV. The pricing policy and pricing basis of the transaction

This external investment is the result of consensus reached by all parties involved in the transaction. All parties shall contribute the capital in the form of currency and determine its

shareholding ratio in the subject company according to the amount of capital contribution a party has subscribed. The relevant investments are conducted in accordance with market rules and comply with the relevant laws and regulations, and there are no circumstances that are unfair or will jeopardize the interests of the Company.

#### **V. Purpose of the transaction, existing risks and impact on the Company**

1. Purpose of the external investment: The Company has been set out to establish the “Zhejiang Hangqilun Gas Turbine Machinery Innovation Center” since 2017, for the purpose to develop, drive and guide the development of core technologies in the relevant fields of the gas turbine machinery industry chain, and promote the high-end equipment Manufacturing transformation and upgrading in Zhejiang Province. The company's decision to lead the establishment of the Ruanchuang Company is a sign that the company has taken a solid consecutive step in the gas turbine industry collaboration after setting up the industry alliance and the innovation center, which is in line with the Company's own business development and future strategic development needs.

2. Source of funds: the Company's self-owned funds

3. Risks: This external investment involves multi-party investment. In the initial stage of establishment, it may face various risks. In the later stage, it may still face risks brought by uncertain factors in market, operation and management. The Company will strengthen the understanding and maintain good communication with other shareholders, establish and improve the corporate governance structure of the external investment company, so as to be continuously adaptable to the market requirements and changes in the external environment, actively preventing and responding to those risks.

4. Impact on the company: The establishment of Zhejiang Ruanchuang Turbine Machinery Co., Ltd. will not affect the funds required for the normal operation of the Company and will not have a significant impact on the Company's profits.

#### **VI. Information of accumulated various related transactions occurred with the related party**

From January 1, 2019 to the date of this announcement, the total amount of accumulated related transactions with the Hangzhou Steam Turbine Power Group Co., Ltd.-the related party in this transaction is RMB 50 million.

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

The independent directors of the Company made prior approval for the above related transaction, agreed to submit the matter to the board of directors for deliberation, and issued the following independent opinion: this external investment by the Company belongs to the normal business needs of the Company; this transaction constitutes a related transaction, in which all parties contribute capital in currency and there is no behaviors that jeopardizes the interests of the Company and minority shareholders. When the board of directors of the Company reviewed this proposal, the connected directors abstained from the voting on this proposal. The review procedures were in compliance with the relevant provisions of The Company Law, the Listing Rules of the Main Board of Shenzhen Stock Exchange and the Articles of Association. All independent directors unanimously agreed to the matters of this external investment namely the related party transaction.

This announcement is hereby made.

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

February 26, 2019