

Hangzhou Steam Turbine Co., Ltd.

Announcement on the progress of the introduction of strategic investors by the holding subsidiary Hangzhou Steam Turbine Casting Co., Ltd.

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. Brief introduction to the aforementioned announcement

Hangzhou Steam Turbine Co., Ltd held the 18th meeting of the 7th Board of Directors on January 26, 2018, in which the “Proposal on Hangzhou Steam Turbine Casting Co., Ltd. to Increase the capital and expand shares and the Company to surrender the preemptive subscription right therein” was reviewed and approved, and it’s agreed that the Company surrenders the preemptive subscription right of capital contribution in the capital increase and shares expansion and the Casting Company plans to introduce new strategic investors through the way of capital increase and share expansion to achieve the capacity upgrade and enhance its comprehensive competitiveness. On July 25, 2018, the Company held the 24th meeting of the 7th Board of Directors, in which the "Proposal on the Company Surrendering the Preemptive Right to Purchase Shares of the Casting Company" was reviewed and approved. The surrendering of the preemptive purchase right to the shares of the Casting Company to be transferred by the natural person will be conducive to strengthen the market-based incentive mechanism of the Casting Company and enhance its market competitiveness. Details please refer to company announcement No.2018-05 and 2018-56 released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> dated January 27, 2018 and July 26, 2018..

II. Brief introduction to the progress of the matter

Since July 2018, the Casting Company has established a platform for employee stock ownership, and its management team and technical backbone have jointly funded the Hangzhou Steam Turbine Co-Creation Enterprise Management Consulting Partnership (Limited Partnership) and Hangzhou Steam Turbine Co-casting Enterprise Management Consulting Partnership (Limited Partnership). The afore-said two partnership enterprises will be the transferee of part of the equity held by the natural person shareholder-Yang Lianrong. After completing this transfer, Yang

Lianrong's capital contribution would fall to 1,097,800 yuan (Accounting for 4.99% of the registered capital of the Casting Company).

On October 10, 2018, the Casting Company via the Hangzhou Property Rights Exchange publicly listed for calling up strategic investors to increase capital and expand shares. As of the deadline of 16:00 pm of December 5, 2018, the Casting Company had attained the interested investors with qualified conditions, and confirmed five investors with investment-intent on December 10, 2018.

(1) Business registration

Recently, the casting company has received the capital increase of strategic investors, and completed the registration of industrial and commercial changes of strategic investors and registered capital, as follows:

- 1.Name : Hangzhou Steam Turbine Casting Co., Ltd.
2. Unified social credit code : 91330110759502452P
3. Enterprise Type: Limited liability company(Foreign-invested enterprises and domestic joint ventures)
- 4.Place of registration: No.2 Road, Tangxi Industry Area, Yuhang District, Hangzhou
- 5.Legal representative : Yu Junming
- 6.Registered capital: 29.50 million yuan
- 7.Date of establishment: March 1 ,2004
- 8.Business scope: Resin sand cast steel , resin sand cast iron, organic fat glass of water glass castings, forgings; Installation, maintenance: casting equipment; sales: The products, mechanical and electrical products, machinery and equipment produced by the company; import and export of goods (except for items prohibited by laws and administrative regulations, and items restricted by laws and administrative regulations can be operated only after obtaining the permission). (Items subjecting to approval according to law may be operated after gaining the approval by relevant departments)

(II). Information about the equity of the Casting Company

1. The equity structure of the Casting Company before the capital increase and share expansion:

Name of Shareholder	Capital-contribution Ratio	Contribution Amount(Ten thousand yuan)
Hangzhou Steam Turbine Co., Ltd.	51%	1122

Yang Lianrong	40%	880
Management Team of the Casting Forging Company	9%	198
Total	100%	2200

2. The Equity structure of the Casting Company (after the implementation of the equity transfer in September 2018):

Name of Shareholder	Capital-contribution Ratio	Contribution Amount(Ten thousand yuan)
Hangzhou Steam Turbine Co., Ltd.	51%	1122
Yang Lianrong	4.99%	109.78
Hangzhou Steam Turbine Co-Creation Enterprise Management Consulting Partnership (Limited Partnership)	30.17%	663.74
Hangzhou Steam Turbine Co-casting Enterprise Management Consulting Partnership (Limited Partnership)	4.84%	106.48
Yu Junming	3%	66
Tong Ziqian	2%	44
Yu Yifeng	2%	44
Xu Wei	2%	44
Total	100%	2200

3. The Equity structure of the Casting Company (after the introduction of strategic investors):

Name of Shareholder	Capital-contribution Ratio	Contribution Amount(Ten thousand yuan)
Hangzhou Steam Turbine Co., Ltd.	38.0339%	1122
Yang Lianrong	3.7214%	109.78
Hangzhou Steam Turbine Co-Creation Enterprise Management Consulting Partnership (Limited Partnership)	22.4991%	663.72
Hangzhou Steam Turbine Co-casting Enterprise Management Consulting Partnership (Limited Partnership)	3.6103%	106.5
Yu Junming	2.2373%	66
Tong Ziqian	1.4915%	44
Yu Yifeng	1.4915%	44
Xu Wei	1.4915%	44

Liu Lei	5.0847%	150
Yu Yuxin	5.0847%	150
Shen Derong	5.0847%	150
Shen Mingfang	5.0847%	150
Lv Jianqing	5.0847%	150
Total	100%	2950

Note: the mantissa of some data in the above table is slightly different due to rounding.

III. Documents available for inspection

1. Business license of Hangzhou Steam Turbine Casting Co., Ltd.

This announcement is hereby made.

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

January 11, 2019