

Hangzhou Steam Turbine Co., Ltd.

Announcement on the progress of the relocation project

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. The situation of receiving compensation for relocation

The Company recently received the relocation compensation of RMB 69,725,732.78, and as of the announcement date the Company has received an aggregated relocation compensation of RMB 306,793,224.24.

II. The composition of the compensation for the relocation of physical assets

On March 21, 2018, the company held the 19th meeting of the 7th Board of Directors, in which the Proposal on the Company's Proposal to Sign the Relocation Compensation Agreement with Hangzhou Xiacheng City Construction Investment Development Group Co., Ltd was reviewed and passed, and the Company disclosed the Announcement on Hangzhou Steam Turbine Co., Ltd. of Signing the Relocation Compensation Agreement (Announcement No.: 2018-10)

The company signed the “Compensation Agreement for the Relocation of Non-residential Houses on State-owned Land” with Hangzhou Xiacheng City Construction Investment Development Group Co., Ltd. The company received a total of RMB 1,299,324,850 for relocation compensation; the company’s holding subsidiary Hangzhou Steam Turbine Machinery Equipment Co., Ltd. received a total of compensation of RMB 6,625,450. The amount of compensation for relocation is the all compensation fess including the compensation for physical assets such as buildings, structures, house decoration, equipment and land within the scope of relocation of the Company and the Machinery Company, personnel resettlement fees; loss of shutdown and incentive expenses.

III. The legal basis for the relocation compensation matters

According to the “Asset appraisal report of asset portfolio assessment project involved in the compensation for enterprise relocation of Hangzhou Steam Turbine Co., Ltd. of No. 357 Land Shiqiao

Road” (No. 606—2017 Kunyuan Appraisal Report) issued by the Kunyuan Asset Appraisal Co., Ltd., the compensation amount for physical assets is RMB 882,988,430.00 , thereinto: building compensation of RMB 224,084,400, decoration compensation of RMB 24,522,910, equipment compensation of RMB 165, 061, 120, and land assets compensation of RMB 469,320,000.

According to the appraisal report, the laws and regulations applicable to the appraisal for the relocation compensation are as follows:

1. The Assets Appraisal Law of the People's Republic of China, passed at the 21st meeting of the Standing Committee of the 12th National People's Congress on July 2, 2016;
2. The State Council's No. 91 Order of November 16, 1991, “Administrative Measures for the Appraisal of State-Owned Assets”;
3. The State Council's State-owned Assets Supervision and Administration Commission No. 12 Decree “Interim Measures for the Administration of State-owned Assets Appraisal of Enterprises”;
4. The No. 274-2006 SASAC Property Rights of State-owned Assets Supervision and Administration Commission of the State Council- “Notice on Strengthening the Relevant Issues Concerning the Appraisal and Management of State-Owned Assets of Enterprises”;
5. The State-owned Assets Law of Enterprises of the People's Republic of China, promulgated by the No. 5 Presidential Decree of October 28, 2008;
6. The No. 14-2001 Order of the Ministry of Finance “Regulations on Several Issues Concerning the Appraisal and Management of State-Owned Assets”;
7. The No. 378 Order of 2003 of the State Council-The Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises;
8. The No. 590 Decree of January 21, 2011 of the State Council-Regulations on the Expropriation and Compensation of Houses on State-owned Land;
9. The No. 77-2011 of Ministry of Housing and Urban-Rural Construction- “Measures for the Appraisal of House Expropriation on State-owned Land”;
10. The No. 14 Announcement of the Standing Committee of the Zhejiang Provincial People's Congress- “Regulations on the Expropriation and Compensation of Houses on State-owned Land in Zhejiang Province”;
11. The No. 125 -2015 Hang Zheng Han of Hangzhou Municipal People's Government-Several Opinions on Implementing the Regulations on the Expropriation and Compensation of Houses on State-owned Land in Zhejiang Province;

12. Other laws and regulations related to asset appraisal.

IV. Accounting treatment of relocation compensation expenses

The compensation for relocation received by the company will be treated as a special payable, and the final accounting treatment shall be based on the audit opinion of the accounting firm. The company will also continue to pay attention to the progress of the relocation work and fulfill its obligation of information disclosure in a timely manner. Investors are advised to pay attention to investment risks.

This announcement is hereby made.

Documents for reference

1. Resolutions of the 19th meeting of the 7th Term of board;
2. Non-residential house relocation compensation agreement on state-owned land;
3. “Asset appraisal report of asset portfolio assessment project involved in the compensation for enterprise relocation of Hangzhou Steam Turbine Co., Ltd. of No. 357 Land Shiqiao Road” (No. 606—2017 Kunyuan Appraisal Report).

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

August 7, 2018