

Hangzhou Steam Turbine Co., Ltd.
Announcement of the controlling shareholder and the Xiacheng district government to sign the agreement of the main body relocation compensation.

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

On April 21, 2017, Hangzhou Steam Turbine Co., Ltd. disclosed the Announcement about Voluntary Information Disclosure of Starting the Relocation Work of Plant Land of Hangzhou Steam Turbine Co., Ltd (Announcement No. 2017-31). The company received the Hangzhou Municipal People's Government's minutes about the relocation of Shiqiaoliu Plant Area of Hangzhou Steam Turbine Co., Ltd. According to the relevant contents of the minutes, the Hangzhou Municipal People's Government shall list the Shiqiaoliu Plant Area of Hangzhou Steam Turbine Co., Ltd into the Planning Scope of Land Expropriation and Relocation. Thus for the compensation matter of relocation of the Shiqiaoliu Plant Area of Hangzhou Steam Turbine Co., Ltd, it shall be signed by the relevant land-making subject unit of Xiacheng District Government of Hangzhou City and Hangzhou Steam Turbine Group Co. Ltd, stating that the Xiacheng District Government of Hangzhou City shall be responsible for the payment of the compensation to Hangzhou Steam Turbine Group Co. Ltd, which is took as the compensation for the overall relocation of Shiqiaoliu Plant of Hangzhou Steam Turbine Co., Ltd.

The company recently was informed that Hangzhou Steam Turbine Group and the land-making subject unit-Hangzhou City Xiacheng District Municipal Construction Investment Group signed the Compensation Agreement on Land Expropriation and Relocation, hereby the main contents of the agreement are disclosed as follows:

1. The scope of land expropriation and relocation: Shiqiao Plant Area of Hangzhou Steam Turbine Group (including part of the state-owned assets of living quarters of Hangzhou Steam Turbine Group at North side of Dongxin Road)-overall relocation compensation. The concrete land area, building construction area, etc. will be based on the actual measurement.
2. Compensation fees for the land expropriation and relocation: RMB 1.815 billion, with the contents include compensation fees for land, buildings, aboveground appendages and so on; relocation and transportation compensation fees; temporary placement subsidy; compensation fees for losses of business close and shutdown and award fees, etc. Hangzhou Steam Turbine Group shall be responsible for the personnel placement, and allocate the compensation in conjunction with its relevant subordinate companies.
3. Relocation and the land delivery: Hangzhou Steam Turbine Group will complete the relocation on December 31, 2019, and it will deliver the vacated buildings to the land-making subject-unit in accordance with the relocation time line. The buildings after delivery and their residual value are owned by the government.
4. The funds appropriation time: the compensation fees of the land expropriation and relocation will be appropriated according to the relocation progress, and the exact appropriation time shall be determined through consultation by both parties under the coordination of the relevant municipal department.

II.The impact of signing the compensation agreement on land expropriation and relocation on the company

The domicile of the Company is located in the scope of the Shiqiao plant area of Hangzhou Steam Turbine Group, and the compensation agreement on land expropriation and relocation signed by Hangzhou Steam Turbine Group and the land-making subject unit-Hangzhou City Xiacheng District Municipal Construction Investment Group will have an impact on the company's future production and operation.

As of the date of this announcement, the company did not receive the relevant compensation of the land expropriation and relocation, and the company's production and operation is normal. The Company will, according to the relevant provisions, carry out the obligation of information disclosure in a timely manner on the significant progress of the relocation matter of the company.

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

August 7, 2017