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Hangzhou Steam Turbine Co., Ltd.
Board of Directors Reports in 2016

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. Board of Directors Work Conducting during the Report Period

(I) Conduct the company governance activities

In 2016, the Board of Directors convoked the shareholders' meeting for two times, the board meeting for 11 times, the special committee for the Board of Directors and the annual report working meeting for 7 times. The item deliberated by the Board of Directors includes the report of General Manager, Board of Directors report, the regular report, financial report, profit distribution scheme, inter-control self-evaluation report, daily connected transaction, annual report audit institution further-employment, Board of Directors change, the "13th five-year plan", directors and senior executives payment assessment, the general shareholders' meeting convoking, social responsibilities report, daily connected transaction agreements renewal, financial management and investment, China Everbright Bank credit extension loan, assets cancel after verification, employment of representatives for securities affairs, Gouneng company guarantee for the auxiliary engine company, voting for chairman, voting for vice chairman, senior executives employment, employment of members in special committee for Board of Directors, the special construction fund application for the heavy industry, guarantee for the steam turbine heavy industry, the financial management delegation system revision and organizing institution adjustment.

See Annex 1 for board meetings organized and convoked in 2016 for details.

(II) Organize the work for Board of Directors change

As the term of office for the sixth Board of Directors expired in 2016, the company, subject to relevant provisions of the *Company Law* and *Articles of Incorporation*, organized and convoked the board meeting to deliberate members of the 7th Board of Directors, submitted the same to the general shareholders' meeting and set up the 7th Board of Directors through voting. The senior executives were also employed based on solutions of the new Board of Directors, which include General Manager, Vice-general Manager, Chief Engineer and Chief Accountant, etc. and professional committees for the 7th Board of Directors were also set up simultaneously.

(III) Formulate the basic governance system for the company

To increase the fund utilization efficiency and strengthen the fund usage risks management, the company revised the *Financial Management Delegation System* to define further the delegation scope for financial management and investment on one hand and perfect the business structure for the financial management delegation on the other hand for guaranteeing the incomes and risks under control. Otherwise, for assessment of the new directors and senior executives, the company organized deliberation on *Management Methods for Assessment of Directors and Senior Executives for the 7th Board of Directors* to guarantee the effective incentives for the operation and management group thereof.

(IV) Formulate the company strategic planning for the "13th five-year plan"

The Board of Directors conducted careful analysis and judgement on the market trend and development strategies based on the profound changes of the economic situations home and abroad, conducted the overall evaluation on the strategies implementation during the "13th five-year plan", organized the planning work on the development strategies for the company "13th five-year plan", and proposed the strategic development idea and implementation ways for the five coming years combining the major change of the energy structure home and abroad, extensive application of the energy-saving and emission-reduction technology, the market potential of the gas-distributed energy sources and the key development fields of manufacture in 2025 in China.

(V) Adjust the company organization structure

During the report period, the company integrated the management and production organizing institutions and set up the Operation Management Department, Financial Management Department and Manufacture Department to propel the implementation of the company strategic planning, increase the outer investment cooperation, strengthen the operation risks control, perfect the production management procedures and increase the internal operation efficiency.

(VI) Strengthen the management work of relationship between information disclosure and investors

The company Board of Directors standardized further the information disclosure work procedures and managed strictly the private information transmission to guarantee the true, accurate, prompt and fair disclosure of the major governance and operation information. The company paid attention to the investor relationship management, kept the good interaction with the public investors through the company network and the exchange interactive platform, replied promptly to questions from the capital market, handled the public relationship properly and maintained the good market image of the company.

(VII) Strengthen the construction for Board of Directors

The company Board of Directors organized the special trainings participation of directors and senior executives to improve the company governance performance capacity further, which were organized by the provincial securities regulatory commission as well as China Association for Public Companies. For the major change measures released continuously by the securities and capital market, the Board of Directors organized the prompt learning on relevant provisions, understanding and grasp on the policies trends by directors and senior executives.

II. Summary of the company operation conditions in 2016 and the operation plan in 2017

I. Summary of the company operation conditions in 2016

Faced with the complicated international and domestic economic environment, our company formulated the annual economic working policy featured by "Deepening the management, innovation-oriented, opening up the market and strengthening the risk control". To be specific, we take the 13th Five Year Plan as our guiding principle and stick to the innovation-oriented path with active exploration of product service fields. Moreover, focusing on the key management work, we comprehensively control the risks of operation, pay much attention to the construction of brand culture and become competitive in high-end equipment products and services to realize the goal of reversing loss.

For the report period, the Company has realized turnover of RMB 3,235,303,379.24, a increase of 24.43%; Business profit of RMB55,525,780.73 , a increase of 132.28%,total profit of RMB77,419,042.07, a increase of 152.24%%, Net profit of RMB66,911,369.92, a increase of 153.95%, net profit attributable to owners of the parent company of RMB31,955,445.73, a increase of 119.63%%.

2.Business plan 2017

In 2017, it's expected that the global economic will still slowly recover, while the trend of further adjustment of Chinese economic structure will be far from the end. To the company, the year of 2017 will be a year having great operation pressure: the market demand will continue to be weak and the homogenous competition will be intensified; the contract structure is unfavorable for profitability to be increasingly weak; the unbalanced production scheduling and the production organization will be very difficult; the technology research and development will be more difficult to cater for the market changes; there will be high inventory and accounts receivable risks attacking from both sides. The company will face the difficulties bravely and the company proposed the annual work policy of "Advancing strategy, continuous innovation, deeply exploring market, lean management and enhancing the risk-control". The company will firmly push forward every major measure to upgrade, and upon the premise of full completion of the business plan, the company will strive to make the company continue to gain profit in 2017.

1. Advancing Strategy. It's to maintain strategic concentration, continuously promote the implementation of the company's "13th Five-Year" development strategy, further enhance the dynamic management of the middle-and-long-term strategy and speed up the establishment of strategic performance evaluation mechanism and strategic evaluation normalization mechanism. Continue to build the strategic business platform, adjust and optimize the organizational structure and strengthen the brand building. Promote the construction of the scientific research building and the steam turbine project in a high-quality way, thus to make a better preparation for the company's future work of carrying out relocation.

2. Continuous innovation. Speed up the application of high-efficient blade for steam turbine, accelerate the developing of steam turbine series for thermoelectric field, promote the application of subcritical

technology, continue to carry out research and technology promotion for the project of steam turbine assemble for the high-end market, and carry out the preliminary research on the steam turbo generator for small nuclear reactor. Through the combination of independent research and cooperative development, the company will speed up the research and development of the core components and the technology of gas turbine. Speed up informatization and the construction of the demonstration project of intelligent manufacturing, and promote the implementation of MES Manufacturing Execution System.

3. Deeply exploring market. Centered on Customers and upon market-oriented and based on the key supporting of large petrochemical projects, the company will actively seek new market breakthroughs to revitalize the market leading position. Continue to consolidate and expand the thermoelectric market, and constantly improve the company's influence in the field of thermoelectric. Accelerate the implementation of "going out" strategy and elaborately carry out overseas markets layout. Fully exert the function of the cooperative turbine platform with foreign companies, strive to expand the company’s turbine market share and brand value. Explore business model innovation, deeply tap into the customer needs and constantly expand the service value of the business chain.

4. Lean management. Upon the goal of improving the labor efficiency, equipment and capital utilization and material turnover, promote the implementation of the lean production mode and rationally carry out pilot work centered on the production process reengineering. Continue to promote the enterprise management reform, integrate the company's internal management system, set up the process control and improve management efficiency. Further well manage the production and marketing balance and promote the “destocking” work by plans. Strengthen costs control and stick to carry out the work of costs reducing and efficiency improvement.

5. Enhancing the risk-control. Further improve the risk control mechanism, shift the focus from the risk-prevention to risk management, strengthen the implementation of the contract risk identification and control, continue to focus on risk management of accounts receivable, inventory and other key areas, implement accounts receivable management standards and evaluation mechanism, enhance the products and raw materials risk management and optimize inventory structure and enhance the quality of assets.

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

March 18,2017

Attachment: The Board of Directors held in the year 2016

Category	No	Time	Date	Mode	Name
Board of Directors	1	Resolutions of the 26th Meeting of the 6th Term of Board	March 8,2016	Communication vote	Proposal of the Company Foreign Investment and Related Transactions.. The Company plans to use its own capital of RMB 50 million and Contribution ratio of 25% to participate in investing Hangzhou Jushi Investment Partnership (Limited partnership).
	2	Resolutions of the 27th Meeting of the 6th Term of Board	March 15,2016	Communication vote	Proposal of adjusting the company organization：Adjustment of some of the function of the Management line
	3	Resolutions of the 28th Meeting of the 6th Term of Board	March 17,2016	Vote on the spot	（1） Work Report of the General Manager 2015； （2） Work Report of the Board 2015； （3） Annual Report 2015 and Summary； （4） The Financial Report 2015； （5） The Dividend Plan 2015： The Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period； （6） The Internal Control Introspective Report 2015； （7） Report of Related Transactions in 2015 and Projected for Year 2016； （8） The Proposal to extend the service of Pan-China CPA as auditor of the Company for year 2016； （9） The Proposal of nominating directors and independent directors for the 7th term Board of the Company; （10） The Meeting Examined of “Development Plans on Examining the Thirteenth Five-Year Plans of the Company； （11） The Proposal of Remunerations for Directors and Executives for Year 2015; （12） The Proposal of calling the Shareholders’ Annual Meeting 2015；

					（13） 2013-2015 Social Responsibility Report of the Company； （14） The Proposal of the provision for impairment of assets for year 2015； （15） The Above Extending Engaging of routine related transaction contract； （16） The Proposal of Using Idle Capital to Invest on Mid-short Term Financing Instruments in 2016； （17） The Proposal on the Company's Application to China Everbright Bank for the Credit of RMB 150 million； （18） The Proposal of 2015 Write-offs Asset of the Company.
	4	Resolutions of the 29th Meeting of the 6th Term of Board	April 1,2016	Communication vote	Proposal of Engaging the Company's Securities affairs
	5	Resolutions of the 30 Meeting of the 6th Term of Board	April 6,2016	Communication vote	Proposal on the Guarantee Provided by the Company's Subsidiary- Hangzhou Steam Turbine Auxiliary Equipment Co., Ltd for the Company's Subsidiary's Subordinate Company- Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.
	6	Resolutions of the 31st Meeting of the 6th Term of Board	April 20,2016	Communication vote	The 1st Quarterly Report 2016
	7	Resolutions of the 1st Meeting of the 7th Term of Board	May 18,2016	Vote on the spot	（1）Proposal to elect Mr. Zheng Bin the Chairman of the 7th Term of Board； （2） Proposal to elect Mr. Yan Jianhua the Vice Chairman of the 7th Term of Board； （3） Proposal to elect Mr. Yang Yongming the Vice Chairman of the 7th Term of Board； （4） Proposal of list of members of the 7th Strategy Committee； （5） Proposal of list of members of the 7th Nomination Committee； （6） Proposal of list of members of the 7th Auditing Committee； （7） Proposal of list of members of the 7th Remuneration & Assessment Committee； （8） Proposal to engage Mr. Ye Zhong the General Manager； （9） Proposal to engage Mr. Yu Changquan the Secretary of the Board；

					（10） Proposal to engage Mr. Wang Caihua the Securities Affair Representative;； （11） Proposal to engage Mr. Kong Jianqiang the Vice General Manager and Chief Engineer; （12） Proposal to engage Mr. Yu Changquan the Vice General Manager; （13） Proposal to engage Mr. Li Jiansheng the Vice General Manager; （14） Proposal to engage Mr. Zhang Shutan the Vice General Manager; （15） Proposal to engage Mr. Pu Yangshuo the Vice General Manager and Chief Accountant ; （16） Proposal of the company subsidiary Hangzhou Steam Turbine Co., Ltd. Heavy mortgage assets to the State Development Bank to apply for a special fund.
	8	Resolutions of the 2nd Meeting of the 7th Term of Board	August 1,2016	Communication vote	Proposal of Providing Securities to Hangzhou Steam Turbine Heavy Industry Co., Ltd.： Bank of Hangzhou 23 million equity pledge。
	9	Resolutions of the 3rd Meeting of the 7th Term of Board	August 12,2016	Communication vote	（1） The Semiannual Report 2016 and the Summary； （2） The Company entrusted financial management system (Revised in 2016)； （3） About the company organization adjustment；
	10	Resolutions of the 4th Meeting of the 7th Term of Board	October 21,2016	Communication vote	（1） The 3rd Quarterly Report 2016 （2） Proposal on the Guarantee Provided by the Company and Hangzhou Steam Turbine Heavy Industry Co., Ltd. for Hangzhou Steam Turbine Power Group Co., Ltd.
Shareholders' General Meeting	1	Shareholders' General Meeting 2015	May 18,2016	Vote on the spot	（1） Report of the Board of Directors 2015 （2） Report of the Supervisory Committee 2015 （3） Annual Report 2015 and Summary （4） Financial Report 2015 （5） Dividend Plan 2015 （6） Related transaction of 2015 and projected for 2016 （7） Proposal of About Extending Engaging of routine related transaction contract （8） Proposal to extend the service of Pan-China CPA as auditor of the Company for year 2016

					（9） Proposal on the Company’s election non-Independent Director of the 7th Board of director 9.1 Nie Zhonghai was elected the 7th board of directors of non-independent Director; 9.2 Yan Jianhua was elected the 7th board of directors of non-independent Director; 9.3 Yang Yongming was elected the 7th board of directors of non-independent Director; 9.4 Zheng Bin was elected the 7th board of directors of non-independent Director; 9.5 Ye Zhong was elected the 7th board of directors of non-independent Director; 9.6 Liu Guoqiang was elected the 7th board of directors of non-independent Director; 9.7 Kong Jianqiang was elected the 7th board of directors of non-independent Director, （10） Proposal on the Company’s election Independent Director of the 7th Board of director 10.1 Zhang Xiaoyan was elected the 7th board of directors of independent Director; 10.2 Ma Lihong was elected the 7th board of directors of independent Director; 10.3 Chen Danhong elected the 7th board of directors of independent Director; 10.4 Gu Xinjian was elected the 7th board of directors of independent Director. （11） Proposal on the Company’s election Supervisor of the 7th supervisory committee 11.1 Li Shijie was elected the 7th supervisor committee of Supervisor; 11.2 Zhang Yougen was elected the 7th supervisor committee of Supervisor; 11.3 Wang Xiaohui was elected the 7th supervisor committee of Supervisor. （12） Proposal of the provision for impairment of assets for year 2015
	2	The First Provisional shareholders' general meeting in 2016	December 28,2016	Vote on the spot	（1） Remuneration and Assessment Criteria for the 7th Term of Directors and Executives； （2） Allowance Scheme for the 7th Term of Independent Directors and Supervisors； （3） Proposal on the Guarantee Provided by the Company and Hangzhou Steam Turbine Heavy Industry Co., Ltd. for Hangzhou Steam Turbine Power Group Co., Ltd.； （4） Proposal to amendment draft of the Articles of Association（Revised in 2016）