Stock Code: 200771　　Stock ID: Hangqilun B　　Announcement No. 2018-18

Hangzhou Steam Turbine Co., Ltd.
Board of Directors Reports in 2017

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

1. Focus on the implementation of the strategic plan and improve the quality of business operations

During the reporting period, the company actively seized the development opportunities for the gradual recovery of the end demand, and promoted the company's "13th Five-Year Plan" strategy; formulated the working principle of "advance the strategy, continuously innovate, deeply plow the market, lean management and enhancing risk control"; increased the technological innovation and enhanced the company's core competitiveness; promoted the organizational structure adjustment and actively cultivated the strategic implementation capabilities; actively explored new markets and seized the market orders; promoted the "lean production" and "integrated management"; strengthened the major risks prevention and control in key business areas, improved the business efficiency and accelerated the construction of major projects to create the fundamental guarantee for the transformation and upgrading**.** For the report period, the Company has realized construction turnover of RMB 3.447 billion, a increase of 6.55%; Total profit of RMB133 million , a increase of 71.35%, net profit attributable to owners of the parent company of RMB68.75 million, a increase of 115.15%%.

II.Perform the duties of the board of directors according to the law and improve the quality of decision-making

(1) About Board Meetings

In 2017, the company organized and held 12 meetings of the board of directors,1 shareholders' general meeting, 5 meetings of special committees of board of directors and the annual work report meeting.

In strict accordance with relevant laws and regulations and the company's articles of association, the company organized and held the meeting of the board of directors, the meeting of board of supervisors, and the general meeting of shareholders to review the company's regular reports, internal control self-evaluation reports, appointment of accounting firms, external guarantees, major external investment, related party transactions, bank credit loans, entrusting wealth management, selecting and engagement of management personnel, adjusting organizational structure and other important management and governance activities, performing the examination and approval procedures for important issues to ensure the company's compliance in the operation.

(2) Information about the Independent Directors' Duty Performance

In accordance with the requirements of relevant laws, regulations, and departmental regulations such as "The Company Law", "Guidelines for the Operation of Listed Companies on the Main Board of the Shenzhen Stock Exchange," "Articles of Association of the Company" and the "Working System for Independent Directors" ,the independent directors of the company strictly fulfilled their obligations, exercised their powers, actively attended the relevant meetings, carefully reviewed the various proposals of the Board of Directors, diligently performed the duties, and issued relevant opinions according to requirements on matters requiring the independent directors to issue prior approval opinions or independent opinions, thus fully exerted the role of independent directors.

(3) Information about the Duty Performance of Special Committees

In 2017, each of the special committees of the board of directors strictly performed their duties according to the Guidelines for the Governance of Listed Companies and the work systems of the special committees, full exerted their professional advantages and functions and provided the good support for the board of directors.

The audit committee carefully performed its supervision and inspection duties, effectively guided and supervised the company's financial reports, internal control, and the work of the internal and external auditing agencies; the nomination committee performed its duties with due diligence and played an important role in the selection of the company's board of directors and senior management; the Remuneration and Appraisal Committee reviewed the annual remuneration standards of the company's directors, supervisors and senior management personnel and supervised the implementation of the company's remuneration system.

III. Continuously improve the corporate governance system and ensure the company's compliance in operation

1. Amended the "Articles of Association of the Company" and added the chapter of the party committee into the articles of association to clarify and implement the statutory status of the party

organization in the corporate governance structure of legal person;

2. Revised the "External Strategic Investment and Cooperative Management System" to provide the scientific and efficient decision-making mechanism and process guarantees for the company's external investment and external cooperation; revised the "External Guarantee System" to clarify the risk prevention measures for external guarantees, and to further sort out the approval process for external guarantees; revised the “entrusted wealth-management system” to improve the company's capital use efficiency while preventing the liquidity and safety risk of the company's funds, and controlled the wealth-management direction and its limit.

3. In June and December of 2017, the Board of Directors completed the changes of some directors and senior management personnel, and promptly adjusted the composition of the special committee of the Board of Directors to ensure the smooth operation of each work of the company.

4. In order to improve the level of compliance and governance, the company’s holding subsidiaries carried out training on the rules of shareholders' meetings, board meetings, and supervisory committee meetings, thus further improved the company’s management system, clarified the responsibilities and authority of the company’s each decision-making body and provided the basis and support for standardizing the internal decision-making of the enterprises.

5. Organized the company's directors and senior management personnel to participate in training on new regulations concerning the regulatory policies, information disclosure, etc., and further improved the work norm, performance capability, strategic decision-making ability and governance level of directors and senior managers

IV. Faithfully fulfill the obligations of information disclosure and continuously improve the quality of information disclosure

In 2017, the company disclosed a total of 80 announcements for periodic reports and interim reports. The board of directors of the company strictly abided by the relevant regulations on information disclosure and faithfully fulfilled the information disclosure obligations in accordance with the relevant format guidelines for information disclosure of the China Securities Regulatory Commission and the Shenzhen Stock Exchange and other relevant information disclosure requirements, ensuring that investors are kept informed of the company's major issues in a timely manner, thus to maximally protect the investors' interests. Meantime, the Board attached importance to the management of inside information, effectively implemented the inside information management system, and clarified the scope of insider information insiders and the accountability of insider information leakage. The relevant staff members strictly abided by the system requirements in the actual work process, controlled the scope of inside information transmission, and strengthened the confidentiality of inside information.

V. Enhance Investor Relations Management

The company broadened its communication channels with investors and actively listened to investors' suggestions and opinions on the company's development. In 2017, the company held the semi-annual online business performance explanation meeting for the first time. The company’s chairman, general manager, secretary of the board of directors, and chief accountant fully exchanged opinions with investors regarding matters of investors’ concerns. In 2017, the company had a total of 49 replies on the Shenzhen Stock Exchange's interactive platform and patiently answered the relevant questions asked by the investors.

II Work Plan for 2018

The year of 2018 is a key year for the company to implement the “13th Five-Year Plan” strategy. The company will be guided by its strategic development plan and adhere to the principle of “Continuous Innovation, collaborative advancement, cultural guidance, and preeminent management”, stick to the technological innovation and independent research and development, strive to develop the market and actively fight for orders, well plan and coordinate to ensure the smooth relocation and production, fully promote and implement the company's various management measures, thus to steadily improve each business indicator in 2018 and achieve the growth both in the company's operating income and profits.

1. Innovation-driven transformation and upgrading

The company will adhere to the continuous technological innovation and independent research and development, constantly improve the production process, spare no efforts to do a good work in the design, manufacturing and the follow-up technical services for the units of the key projects including Dalian Hengli, Zhejiang Petrochemical project.

2. Implement the relocation and ensure the production

In 2018, the company will start the relocation and construction work, fully promote the construction of steam turbine heavy engineering projects, ensure the construction progress and construction quality, and achieve the completion acceptance of the research building construction projects. In order to reduce the adverse impact of the relocation of the company on production,

3. Enhance marketing and build up brand

By upgrading the marketing strategic thinking and carrying out more specified market analysis, and implement the differentiated precision marketing strategies. Furthermore, the company will continuously consolidate the domestic market position, strive to achieve breakthroughs in the new energy market, closely follow the national strategic layout, strengthen the attention of countries along the “Belt and Road”, and use the company’s brand advantages and product performance advantages to expand the company’s influence in the international market. By strengthening the breadth and depth of cooperation with Siemens in the field of gas turbines distributed energy.

4. Refine the culture and cohere people’s hearts

2018 is the year of double happiness for the company’s 60th anniversary and 20th anniversar y of listing,the company will vigorously promote the “artful, exquisite and fine” craftsman spirit of Hangzhou Steam Turbine’s characteristic culture in the new era with being “respecting the market, respecting customers, respecting rules, and be the enterprise and employees respected by the society”.

5. Deeply enhance the management and enhance the risk prevention and control

The company will continue to promote innovation in management processes, improve the company’s management efficiency, and build a complete, scientific, standardized, and effective management system. Also, it will promote management integration projects, optimize organizational systems and business processes, and improve the company’s operating efficiency.

Furthermore, the company will comprehensively enhance the risk prevention and control management, strengthen front-end review of sales and procurement contracts, explore accounts receivable risk management mechanism, pay close attention to the progress of contract projects, take timely measures to reduce and activate inventory, and effectively reduce business risks.

In 2018, the company's board of directors will unite and lead all staff to focus on the company's development strategy, accelerate the development, give full play to the company's competitive advantage, and enhance the company's overall competitiveness. The board of directors will supervise and push the management team to effectively implement the company's strategic plan and the resolutions of shareholders’ meetings and meetings of board of directors, and give full play to the core role of the board of directors in the corporate governance.

The board of directors of the company will strictly follow the specific arrangements and implementation of the disclosed profit distribution policy, especially the cash dividend policy, in accordance with the relevant provisions of the China Securities Regulatory Commission's Circular on Relevant Issues Concerning the Further Implementation of Cash Dividends for Listed Companies and the Articles of Association of the Company, and adhere to the implementation of a sustained and stable cash dividend system and attach importance to the reasonable return to investors while taking into account the sustainable development of the company. At the same time, the company will protect the right to know of small and medium investors in accordance with law, and truly, accurately disclose the information that has a significant impact on investment decisions in a timely manner. And the company will increase the initiative, pertinence, and effectiveness of information disclosure and actively accept the supervision from the society and the investors.

The board of directors of the company will actively pay attention to the newly revised laws, regulations, rules and regulations of the capital market, and timely communicate the supervision spirit and concepts of the supervisory departments to the relevant personnel through various means to effectively improve the performance of duties of directors and senior management personnel, and improve the organizational structure and governance structure with clear rights and responsibilities, thus to ensure that the company operates in a standardized and efficient manner. At the same time, the company will, combined with the actual situation of production and operation of the company, continue to improve its internal control system, improve various regulations and management systems and improve the management efficiency. In the company's operation and management, the supervisory role of the company's board of supervisors, independent directors, and internal auditing departments will be fully utilized, thus to provide a strong guarantee for the sustainable development of the company.

In the new year, the company's board of directors will continue to perform its duties in good faith and diligence, actively and solidly conduct its work, and strive to make new and greater contributions to ensure the rights and interests of all shareholders and investors!

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

March 28,2018