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Hangzhou Steam Turbine Co., Ltd.
Report of the Supervisory Committee 2016

The members of the Supervisory Committee 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.

To the Supervisory Committee of Shareholders' of the Company:

In 2016, the Supervisory Committee had been performing its duties according to the Company Law, Securities Law, the Articles of Association, and Meeting Criteria of Supervisory Committee. Inspections were conducted regularly on the Company's business operation, financial position, and operation of the Board and executives, aimed at guarding the legal benefits of the shareholders, the Company, and employees, and promote healthy development of the Company.

I. Meeting and examinations in the report period

In the report period, the Committee had held 5 regular or provisional meetings. A number of issues were inspected and examined, including the periodic reports, financial reports, dividend plans, introspection reports, routine related transactions, The election of the board of supervisors, Impairment of assets and asset write off.

Fulfilling of duties of the Supervisory Committee

No. of meeting	Date of meeting	Titles of proposals
The 14th meeting of the 6th term of Committee	March 17,2016	Work Report of Supervisory Committee 2015; Annual Report 2015 and Summary; Financial Report 2015; Dividend Plan 2015; Introspective Report of Internal Control System 2015; Report of Related Transactions in 2015 and Projected for Year 2016; Proposal on changing the company's accounting estimates. Notice of the Board of Supervisors of the Company; Proposal of the provision for impairment of assets for year 2015 and The provision for bad debts situation； Proposal of 2015 Write-offs Asset of the Company
The 15th meeting of the 6th term of Committee	April 20,2016	The 1st Quarterly Report 2016, and summary
The 1st meeting of the 7th term of Committee	May 18,2016	Proposal of electing Mr. Li Shijie the Chairman of Supervisory Committee
The 2nd meeting of the	August 12,2016	Interim Report 2016 and Summary

7th term of Committee		
The 3rd meeting of the 7th term of Committee	October 21,2016	The 3rd Quarterly Report 2016, and Summary

II. Presenting of board meetings and shareholders' meetings

The Committee presented 11 board meetings and 2 shareholders' meeting during the report period. Through participating of these meetings, the Committee acquired information about the Company's decision-making process and business management. Communications were made effectively with the shareholders, directors, and executives. Flaws in operation were discovered on time. The supervisors were exercising their duties at the meetings and performed inspection on decision-making processes and risk-control approaches.

III. Fulfilling of duties in the report period

In 2016, the Committee performed inspections on the following aspects in viewing of legal operation and good economic efficiency.
1. Supervising on the business operation: The Supervisors participated in the meetings of the Board and supervised the main decision-making procedures; verified the execution of resolutions of the shareholders' meeting and board meetings, as well as the major investment plans and related transactions. The Committee also provided corresponding opinions and suggestions on the business operation of the Company.
2. Inspection on financial activities: Inspection on business operation and financial position is the key work of the Committee. The Committee urged the Company to improve its accounting system and internal control system according to the Accounting Law and new accounting standard, and thereafter supervised the change of accounting policies; supervised the processes of accounting works; improvement opinions were provided according to the laws and regulations.
3. Supervising the executives: to perform effective supervising over the performances of the directors and executives of the Company, the Supervisory Committee urged them to study the laws and regulations to upgrade their sense of legal operation, therefore ensure legal operation of the Company. All of the directors, supervisors, and executives were acting according to the law without being punished by any department.
4. Supervising on inside information managementThe Company revised the Information Insider Registration and Administration Rules according to the regulations of CSRC and SSE. Information Insider Files were established covering all of the directors, supervisors, executives and other insiders, and filed to SSE. This was for the effectiveness of confidential works and information disclosure. No illegal trade was found with the aforesaid personnel in the report period.

IV. Summary of the Committee's opinion on particular issues

In the report period, the Committee had issued opinions on the periodic reports, introspective report on internal control, related transactions, Impairment of assets and asset write off with regard to the regulations and duties of the Committee. Specific as follows：

1. The opinions on the Annual Report 2015

All of the members considered the Annual Report 2015 is frankly and completely reflecting the financial situation and business performance in the report term (January 1 – December 31, 2015). They will assume joint and individual responsibilities for the accuracy, authentic, and completeness of the Report.
2. Supervisory Committee's opinion on the Internal Control Introspection Report 2015
The Internal Control Introspection Report 2015 was reflecting the operation of the internal control system objectively, frankly, and completely.
3. Supervisory Committee's opinions on Related Transactions Occurred in 2015 and Projected for

Year 2016

The related transactions was conducted strictly at the prices setout by the relative agreement approved by the Shareholders' Meeting, and complying with the related regulations and legal procedures. Pricing of the related transactions was on fair and reasonable basis without illegal operation, and no harming on the interests of the Company or the shareholder, especially the mid-small shareholders.

4.Proposal of the Company's Provision for Assets Impairment of 2015

The Company conducted a withdrawal for the provision for assets impairment of 2015 for the Company according to Accounting Standards for Business Enterprises and relevant regulations, which complied with the actual situation and was able to reflect the Company's financial situation and asset situation more fairly. The procedure of the Company's conduction upon the provision above accorded with laws and regulations and relevant regulations.

5.Proposal of the Company's Annual Asset Write-off in 2015

The Company's asset write-off followed Accounting Standards for Business Enterprises and the management system of the Company on asset write-off, which actually reflected the Company's financial situation, sufficient evidence of write-off and write-off asset which didn't involve with the Company's related party. The procedure of the Company's asset write-off accorded with laws and regulations and relevant regulations.

6. Opinions on the 1st Quarterly Report 2016，Interim Report 2016 and Summary and The 3rd Quarterly Report 2016.

The producing and examination procedures of the 1st quarterly report 2016 ,Interim Report 2016 and Summary and The 3rd Quarterly Report 2016 were legal and complying with the requirements of the CSRC. The Report is reflecting the financial position and business performance of the Company frankly and completely. There is no false record, misleading statement, or material omission in the report.

The Supervisory Committee of Hangzhou Steam Turbine Co., Ltd.

March 16, 2017