

Hangzhou Steam Turbine Co., Ltd.

Report of the Supervisory Committee of 2017

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.

In 2017, 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 4th meeting of the 7th term of Committee	March 16,2017	1.Work Report of Supervisory Committee 2016 2.Annual Report 2016 and Summary 3.Financial Report 2016 4.Dividend Plan 2016; 5.Introspective Report of Internal Control System 2016 6.Report of Related Transactions in 2016 and Projected for Year 2017 7.Proposal of the provision for impairment of assets of 2016 8.Proposal of 2016 Write-offs Asset of the Company
The 5th meeting of the 7th term of Committee	April 25,2017	The 1st Quarterly Report 2017, and summary
The 6th meeting of the 7th term of Committee	June 9,2017	Proposal of Supplementing Liu Zhiyong as Supervisor of the 7th Supervisory Committee of the Company
The 7th meeting of the 7th term of Committee	August 17,2017	Interim Report 2017 and Summary
The 8th meeting of the 7th term of Committee	October 25,2017	1.The 3 rd Quarterly Report 2017, and Summary 2. Proposal of the provision for impairment of assets

II. Presenting of board meetings and shareholders' meetings

The Committee presented 12 board meetings and 1 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 2017, 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 management The 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 2016

All of the members considered the Annual Report 2016 is frankly and completely reflecting the financial situation and business performance in the report term (January 1 – December 31, 2016). 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 2016

The Internal Control Introspection Report 2016 was reflecting the operation of the internal control system objectively, frankly, and completely.

3. Supervisory Committee's opinions on Related Transactions Occurred in 2016 and Projected for Year 2017

The related transactions was conducted strictly at the prices set out 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 2016

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 2016

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. Proposal on Debt Restructuring of the Company's Holding Subsidiaries and Related Transactions

The debt restructuring of the company's holding subsidiary Hangzhou Steam turbine Boiler Co., Ltd. and its related parties is beneficial to the company's operations, and the parties to the transaction implemented the transaction on a fair and transparent basis, and did not find any damage to the company or the interests of small and medium shareholders.

7. Proposal on the Company's Provision for Depreciation of Assets

The company's provision for devaluation of assets of the Hongyu project in Nei Monggol is based on the principle of prudence, which is in line with the company's actual situation and can more fairly reflect the company's financial status and assets. The board of directors of the company is legally compliant with the deliberation procedures for the matter and agrees that the company will make provision for impairment of the above assets.

8. Opinions on the 1st Quarterly Report 2017, Interim Report 2017 and Summary and The 3rd Quarterly Report 2017.

The producing and examination procedures of the 1st quarterly report 2017, Interim Report 2017 and Summary and The 3rd Quarterly Report 2017 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 28, 2018