

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

Hangzhou Steam Turbine Co., Ltd.

Summary of the Semi-annual Report 2018

I. Important notes

The summary is abstract from full-text of summary of the semi-annual report, for more details information, investors should found in the full-text of summary of the semi-annual report that published on website of Shenzhen Stock Exchange and other website appointed by CSRC.

Non-standard auditor's opinion

Not applicable

Plans for profit distribution on ordinary shares or conversion of capital reserves into share capital proposed to the Board during the reporting period.

The Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period.

Plans for profit distribution on preference shares for the reporting period approved by the Board

Not applicable

II. Basic information about the company

1. Company profile

Stock ID	Hangqilun B	Stock code	200771
Stock exchange for listing	Shenzhen Stock Exchange		
Contact person and contact manner	Board secretary	Securities affairs Representative	
Name	Wang Gang	Wang Caihua	
Address	No. 357 Shiqiao Rd. Hangzhou	No. 357 Shiqiao Rd. Hangzhou	
Tel	0571-85780198	0571-85780438	
E-mail	wg@htc.cn	wangch@htc.cn	

2. Major accounting data and financial indicators

Retrospective adjustment to or restatement of the accounting data for prior years by the Company due to change of accounting policies and correction of accounting errors

No

	Reporting period	Same period of last year	YoY+/- (%)
Operating income (yuan)	2, 284, 130, 982. 13	1, 663, 724, 702. 26	37. 29%
Net profit attributable to the shareholders of the	128, 510, 594. 01	43, 995, 804. 38	192. 10%

listed company (yuan)			
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (yuan)	89,470,726.72	3,560,218.39	2,413.07%
Cash flow generated by business operation, net (yuan)	557,787,190.73	-10,310,355.58	5,509.97%
Basic earning per share(yuan/Share)	0.17	0.06	183.33%
Diluted gains per share(yuan/Share)	0.17	0.06	183.33%
Weighted average ROE(%)	2.18%	0.69%	1.49%
	As at the end of the reporting period	As at the end of last year	YoY+/- (%)
Gross assets (yuan)	11,365,517,688.31	10,830,597,182.38	4.94%
Net assets attributable to shareholders of the listed company (yuan)	5,902,112,559.27	5,884,816,809.55	0.29%

3.Statement of shares held by top 10 shareholders

		In shares				
Total number of common shareholders at the end of the reporting period	14,267	The total number of prefer red shareholders voting rights restored at period-end (if any)			0	
Shareholdings of the top 10 shareholders						
Name of the shareholder	Properties of shareholder	Share proportion %	Total shares	Conditional shares	Frozen or pledged	
					Status of shares	Amount
Hangzhou Steam Turbine Power Group Co., Ltd.	State-owned legal person	63.64%	479,824,800	479,824,800		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.63%	4,722,804	0		
NORGES BANK	Foreign legal person	0.57%	4,303,675	0		
Zhou Jie	Domestic Natural person	0.48%	3,600,000	0		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.46%	3,454,046			
ISHARES CORE MSCI EMERGING MARKETS ETF	Foreign legal person	0.43%	3,278,101	0		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.39%	2,918,963	0		
China Merchants Securities(HK)Co., Ltd.	State-owned legal person	0.37%	2,800,417	0		
Xia Zulin	Domestic	0.29%	2,179,300	0		

	Natural person				
CREDIT SUISSE AG HONG KONG BRANCH	Foreign legal person	0.21%	1,571,959	0	
Explanation on associated relationship among the aforesaid shareholders		(1) Hangzhou Steam Turbine Power Group Co., Ltd. is the holder of state-shares of the Company, all other shareholders' are holders of domestic listed foreign shares (B shares) (2) There is no relationship between Hangzhou Steam Turbine Power Group Co., Ltd. and other shareholders; (3) Hangzhou Steam Turbine Power Group Co., Ltd. is not an "action-in-concert" party with any of other shareholders as described by the "Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs".			
Notes to the shareholders involved in financing securities (if any)		Not applicable			

4. Changes of controlling shareholder or actual controller

Changes of controlling shareholder in reporting period
 No change of controlling shareholder in reporting period.
 Changes of actual controller in reporting period
 No changes of actual controller in reporting period.

5. Total preference shareholders and the shares held by the Top 10 Preference shareholders

The Company has no preferred shareholders.

6. Corporate bond

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due:

No

III. Discussion and analysis of operation

1. Business Operation summary in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

I. Summary

During the reporting period, the Company focused on the annual economic work policy of "Continuous Innovation, Synergistic Promotion, Cultural Leading, and Profound Management", increased the investment in product research and development, and continuously promoted the technological innovation; with aiming at the advantageous product areas, it had consolidated the market shares of high-quality orders; orderly carried out the relocation work and successful completed the production plan; deepened the promotion of key management work and improved the construction of risk management system; pooled up the talent people, refined the core values of the company, and well implemented the effective management activities, In the first half of 2018, the Company has realized turnover of RMB 2,284,130,982.13 , a increase of 37.29%; total profit of RMB192,348,021.36, a increase of 190.30, Net profit of RMB160,370,149.54, a increase of 168.50%, Of which the net profit attributable to owners of the parent company of RMB128,510,594.01. a increase of 192.10%, The main reason for the large year-on-year increase in net profit attributable to shareholders of the listed company was that the increase in

delivery units in the first half of the year and the large proportion of towing units that led to an increase in sales revenue and a corresponding increase in corporate profits. In the first half of the year, the company received 149 new sets/1.927 billion-yuan orders, an increase of 6% over the same period last year.

Progress of the Company's business plan during the reporting period

(1) Technological innovation guided development

During the reporting period, the company successfully completed the development of new products for major projects such as Dalian Hengli, Zhejiang Petrochemical and Zhongkong Solar. It had completed the self-developed new leaf type "Turbine cascade air blow test", and spared no efforts to develop the complete set design technology of the steam-electric double-drive four-in-one large-scale power station boiler induced draft fan project, and promoted the market use of the new straight type blade and improved the high-efficiency condensing power generation series of twisted blades. In the first half of the year, the company obtained 2 invention patents and 4 utility model patents, and applied for 9 new utility model patents and 8 invention patents.

The Dalian Hengli 1.5 million tons/year ethylene plant steam turbine unit undertaken by the company is the largest ethylene project in the world. The Shenhua Ning Coal domestically-developed 100,000 m³/h air separation unit passed the technical appraisal, and the four steam extraction back-pressure units of Binhai Thermal Power were put into operation, marking that the company's technical capabilities in research, development and manufacturing of major power equipment has gained the broad recognition.

The company participated in the revision of the national standard "Gas Turbine Quality Control Code" and "Gas Turbine Noise", and the "Key Technology Development and Application of 1000MW Grade Power Plant Boiler Feed Water Pump Steam Turbine" won the first prize of Zhejiang Science and Technology Progress Award, "Zhejiang Hangzhou Steam Turbine Gas Turbine Machinery Innovation Center" was successfully registered in the Civil Affairs Department of Zhejiang Province, highlighting the company's advanced position in the product technology field.

The company's MES system was officially launched, and the quality big data platform was initially established. The research conclusion work of the "Discrete Intelligent Manufacturing Model Research and Digital Workshop Construction" and "PLM System Research and Implementation (Phase II)" were successfully completed, and the pilot use of the remote monitoring system for steam turbine products was promoted and applied, which showed that the company well fitted the development trend of "smart manufacturing" and did hard work to realize the transformation of service-oriented manufacturing enterprises.

(2) Precision marketing to stay ahead

During the reporting period, in view of the sustained and moderate growth of domestic oil refining, the concentrated outbreak of ethylene projects in the chemical field especially many million-ton grade projects and the bouncing-back market sign of the chemical industry business, the company had implemented the precision marketing strategy and used the company's product advantages to consolidate the market share of petrochemical industry, obtained the orders of Sinochem Quanzhou million-ton ethylene project, Yanchang petroleum petro-gas plant, Dalian Hengli 1.5 million tons ethylene project and Yantai Wanhua 1 million tons ethylene plant and so on. In the coal chemical sector, the company mainly undertook orders for projects including the 76,000 m³/h air separation project of Shandong Fangyu, 2.2 million tons of coal-to-methanol project of Ningxia Baofeng, and 300,000 tons of ethylene glycol project of Shaanxi Weihe River Chenzhou Chemical. In the field of gas turbine, the company signed the SGT-800 gas turbine project of Jiangsu Huafeng Microfiber Distributed Energy Station. Due to the country's strict control of coal-fired power and self-provided power plants, the growth rate of the cogeneration industry had slowed down noticeably, but the order share of the company's reaction-type back-pressure generator sets remained stable. The domestic feed pump steam turbine market was affected by overcapacity in the power industry, the power investment slowdown and the adjustment of national energy policy, so the orders of the company for water pump/exhaust fan turbines for large power plants had dropped sharply, but overall, the total orders of domestic power generation business still gained some growth compared to the same period last year.

According to the national “One Belt, One Road” initiative, the company continued to promote the implementation of the localization strategy and continued to penetrate overseas markets such as India, Iran, Thailand, and Russia, but as affected by geopolitical conflicts, changes in internal political and economic situations, and trade barrier policies in the target regions, the company’s oversea orders were not in ideal situation.

(3) Promoting the relocation and guaranteeing the production

During the reporting period, the company promoted the construction of major projects as planned, and fully prepared for the relocation work. The complete plant was planned to be put into use during the year. As of now, the company's research building has been successfully completed and is expected to be delivered at the end of the year. Facing with the double pressure of the historical peak of production and the company's relocation, the company adopted rational production plans, effectively coordinated the internal and external resources, established the production incentive mechanism, improved the interlink ability of production and sales, and

successfully completed the production plan of steam turbine products.

The company actively promoted the turbine assembly technology, and the products could be wholly shipped after the test run was qualified, shortening the installation cycle of the products at the user site, and the company continuously improved the company's product quality and the complete delivery rate of contracted goods, further enhancing the company's product quality and market competitiveness.

The company's lean production pilot project passed the acceptance test. On the basis of deepening the pilot lean production project of the rotor workshop, the company continued to promote lean production in the manufacturing sector.

(4) Deepening the risk management and risk prevention and control

During the reporting period, the company focused on the top ten key management tasks formulated at the beginning of the year and decomposed and implemented the key management tasks. The company strengthened the examination and approval management of related party transactions, external guarantees, external investments, and entrusted wealth management, gave full play to the role of the company's assigned directors, and improved the strategic implementation and standard operation supervision and management of the holding subsidiaries. Also, it cultivated the capabilities of subsidiaries to undertake business on their own, and gradually reduced the holding subsidiaries' dependence on the company's business, further optimized the organizational structure, improved the enterprise management system, promoted the upgrading of the quality system documents, and integrated the procurement and external resources to set up procurement centers.

The company combed the important business processes and promoted the "integrated management process trial run" project. In addition, it compiled the risk management implementation plan, perfected the risk management system of the company, strengthened the contract risk management, implemented the process tracking management for contract execution of key projects, paid close attention to the risks regarding the implementation progress, pre-production, delivery time and collection for goods payment. Furthermore, the company enhanced the internal control and legal risk review before contract signing, and actively used legal means to recover accounts receivable.

(5) Pooling up talents and refining company culture

The company attaches great importance to personnel training and construction. In order to better shape a vigorous youthful, professional talent management team of the company, and cultivate a group of compound reserve talents with solid professional knowledge, advanced management experience and excellent management

ability, the company establishes a reserve management talent pool and provides training and development platform for the talents. The company has formed an effective incentive mechanism for the construction of a talent team. Also, the company has established a skill master studio, and by means of selected chief technicians and professional skills leaders, organizing labor skill competitions and other means to build a “craftsman” team that meets the company's development requirements.

The company continues to practice the core values of “creating value for customers, creating happiness for employees, creating wealth for shareholders, and creating prosperity for society”. Taking the 20th anniversary of the listing as the opportunity, the company held the “20th Anniversary Commemoration and Investor Reception Day” event to introduce investors to the company's market and technology status, and invited investors to visit the company to showcase the company's new look. The company actively promoted the construction of special steam-turbine culture brands such as “Shinning Turbine Staff” and used the corporate culture to drive the industrial mission to realize the dream of globalization of the company's industrial turbine business.

2. Issues involve with financial reports

(1) Statement on changes of accounting policies, accounting estimations, and accounting basis comparing with the last fiscal year

No Particulars about the changes in aspect of accounting policy estimates or calculation method in period.

(2) Statement on correcting of material accounting error and retrospective adjustment

No retrospective correction of material accounting error in the report period.

(3) Statement on change of consolidation range comparing with the previous fiscal year

The Company had no particular about the change of consolidation range compared in reporting period.

Hangzhou Steam turbine Co., Ltd.

Board chairman: Zheng Bin

August 22,2018