

Stock Code: 200771 Stock ID: Hangqilun B Announcement No. 2017-57

Hangzhou Steam Turbine Co., Ltd.

Summary of the Semi-annual Report 2017

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 (RMB)	1,663,724,702.26	1,367,423,771.88	21.67%
Net profit attributable to the shareholders of the listed company (RMB)	43,995,804.38	-31,252,238.19	240.78%
Net profit after deducting of non-recurring	3,560,218.39	-43,478,314.33	108.19%

gain/loss attributable to the shareholders of listed company (RMB)			
Cash flow generated by business operation, net (RMB)	-10,310,355.58	214,699,052.95	-104.80%
Basic earning per share(RMB/Share)	0.06	-0.04	250.00%
Diluted gains per share(RMB/Share)(RMB/Share)	0.06	-0.04	250.00%
Weighted average ROE(%)	0.69%	-0.74%	1.43%
	As at the end of the reporting period	As at the end of last year	YoY+/- (%)
Gross assets (RMB)	11,111,682,905.80	10,550,899,708.34	5.32%
Net assets attributable to shareholders of the listed company (RMB)	6,410,591,387.20	6,385,346,243.23	0.40%

3.Statement of shares held by top 10 shareholders

In shares

Total number of common shareholders at the end of the reporting period	15,147	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
Shanwan Hongyuan Securities (HK) Co.,Ltd.	Foreign legal person	0.65%	4,901,766	0		
BBH A/C 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		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.46%	3,454,046	0		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.38%	2,885,894	0		
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	Foreign legal person	0.32%	2,425,960	0		
ISHARES CORE MSCI EMERGING MARKETS ETF	Foreign legal person	0.32%	2,382,800	0		
China Merchants Securities(HK)Co., Ltd.	State-owned legal person	0.31%	2,304,255	0		

Xia Zulin	Domestic Natural person	0.28%	2,100,000	0		
CREDIT SUISSE AG HONG KONG BRANCH	Foreign legal person	0.23%	1,729,759	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 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

I. Summary

In the first half of 2017, China's economy has maintained a steady and good trend, the manufacturing industry accelerated its pace to enter middle and high-end manufacturing, and the added value of new and high technology industries and equipment manufacturing industry gained a growth year on year. However, the steam turbine industry has been affected by the global energy structure adjustment, the serious excess capacity of the industry and the slowdown in domestic power investment, therefore the profitability of the industry continued to decline. The company had formulated the annual economic work policy of "Advancing strategy, continuous innovation, deeply exploring market, lean management and enhancing the risk-control", continued to promote the "13th Five-Year" strategy implementation, strengthened the technological innovation to enhance the core competitiveness of the company, actively developed the market to seize more market share and orders, promoted the "lean production" and "integrated management" to improve operating efficiency, strengthened the risk prevention and control in major business areas and adopted a number of practicable measures and strategies, thus realized the operating goal of a turnaround and gained profits.

For the report period, For the report period, the Company has realized turnover of RMB 1,663,724,702.26, a increase of 21.67%; Business profit of RMB61,982,164.70 , a increase of 282.31%,total profit of RMB66,257,223.45, a increase of 327.60, Net profit of RMB59,728,855.88, a increase of 327.30%, net profit attributable to owners of the parent company of RMB43,995,804.38, a increase of 240.78%.

The main reason for the big increase in net profit attributable to the shareholders of the Company was due to

the increase in non-operating income gained from the bonus of Bank of Hangzhou and the sale of the Hangzhou Changti Partnership enterprise and so on during the reporting period and meanwhile the collection situation of the accounts receivable during the reporting period was good and the provision for bad debt was less than the previous accounting period.

Implementation of business plans disclosed in previous periods in this period

1. Promoting the strategy and realizing the goal.

The company takes "Made in China 2025" as an opportunity to continue to accelerate the transformation and upgrading of the company. The company has been increased the efforts in technological innovation, combining independent innovation with technology introduction, increasing R & D investment and enhancing the company's core competitiveness. The company promoted the business model innovation, and on the basis of consolidating the market status of industrial steam turbine, the company promoted the gas turbine business, expanded services and engineering business and made changes of the status of single product structure. According to the "13th Five-Year" strategic planning and its decomposition implementation scheme, the company carried out the decomposition, implementation, examination and assessment of the annual strategic performance. The company further adjusted the organizational structure of production, further integrated and optimized the internal resources by institutional adjustment, and improved the process efficiency.

In order to ensure the relocation of the factory and promote the smooth implementation of "Heavy machinery construction project of steam turbine" and "Construction of scientific research building", the company set up a special working organization to study and formulate the project construction promotion plan to ensure that the construction and relocation tasks will be completed as planned.

2. Constant innovation and keeping perfecting

The company increased the R & D investment, constantly made technological innovation, promoted the high-quality goods project and carried out the in-depth implementation of application and promotion for the containerization technology research results. On the basis of the achievements realized on the demonstration unit of containerization technology for Yongfeng Paper Industry KWT5501/02, the company carried out the normalization work of excellent project, which formed and formulated the corresponding standard document and operation manual for the whole process of design, process, manufacture and assembly; relying on Dalian Hengli and Zhejiang Petrochemical Traction unit projects, the in-depth implementation of application and promotion for the containerization technology research results was carried out, thus enhanced the company's market competitiveness and soft power. During the reporting period, the Company initiated 8 R&D projects and launched 6 projects of new products, including 1 gas turbine project and 3 technical process projects and 2 vane projects. The company has taken "containerization, intelligence, efficiency and light weight" as the technological innovation orientation, and constantly improved the test and application of the new process, and focused on solving common technical problems, such as vibration, bending, valve head fall off and stem damage or fracture, etc, thus enhanced the company's product quality. In the first half of this year, the company was authorized with 3 invention patents and 4 utility model patents. The company was awarded "Standardized good behavior demonstration enterprise" by China Electrical Equipment Industry Association.

During the reporting period, the company cooperated with universities and scientific research units to build a platform for technical exchanges and cooperation. The "Zhejiang Hangzhou Steam Turbine Gas Turbine Machinery Innovation Center", which was led by the company and was appraised by the provincial economic committee and the expert group, had become one of the three innovation centers firstly established in Zhejiang province.

3. Deeply developing the market and actively seizing the orders

During the reporting period, the number of steam turbine contract of the company and the contract amount all increased year-on-year. As the domestic refining industry improved and the private capital entered the field of refining, the company, by virtue of good historical performance and competitive advantages in product manufacturing, pushed the section to have a record new orders, thereinto, the amount of the project contract signed with Dalian Hengli was RMB 555,580,000, which has become the highest amount of a single contract of the company.

Due to the adverse effects of national energy conservation and environmental protection policy planning and the serious overcapacity of the industry, the Company's orders in the traditional-driven product fields such as coal chemical industry, PTA, nitric acid and metallurgy and in the industrial power generation feed pump field decreased obviously.

The company has cooperated with Siemens, and signed the supply contract for distributed energy projects with EPC general contractor-Southwest Power system Design Institute, and such contract included two SGT-800 gas turbines and the matching turbo-generator unit. This project was the first time that the company has successfully realized the successful cooperation with the domestic power Design Institute on the gas turbine

products, which had a great significance.

The company had held the development forum and user forum of efficient and clean energy use, and the company had invited more than 70 users in the industry to enter the forum and had signed the "Strategic Partner Agreement" with the users. The company had rolled out the "going out" strategy, upgraded the Thailand Office-which will play the role of bridgehead in the company's future market development in Southeast Asian market. The company continued to promote the localized management strategy in Iran.

4. Lean management, reducing costs and raising efficiency.

During the reporting period, the company launched the "lean production management". Through the combing of trans-department processes and by the SIPOC analysis of the process such as placing order, planning and implementation, material management and procurement, the company optimized the production process. The company initiated the implementation of the MES manufacturing execution system and took the intelligent manufacturing project as an opportunity to accelerate the demonstration project of intelligent manufacturing and the practice of lean manufacturing.

The company continued to promote the bidding work, and the sales of waste materials, the out sourcing cylinder processing, the cutting fluid and office supplies, the auxiliary materials and so on were put out tender by the company, thus continuously saved the company's production costs.

The company initiated the "Integrated management" project, which implemented the integration of main business processes including the contract management, after-sales service, product research and development, manufacturing and quality control, constructed the end-to-end whole process management from the sales and production to the delivery, improved the marketing system architecture, the production and delivery system framework (including procurement) and the R & D system framework and integrated the enterprise management system.

In the 2017 Hangzhou Enterprise Management Modernization and Innovation Achievement appraisal activities, the "Big data platform project of discrete manufacturing industry construction process " and the "craftsmen and engineers cultivation project to shape "state elite" quality" and other 3 projects were respectively awarded prizes, including 1 gained the first prize, 2 gained the second prize and 2 projects gained the third prize

5. Deepening the risk control and strengthening the management

The company always emphasized the contract execution management. According to the past years contract execution and the new problems occurred in the current market environment, the company sorted out a series of risk points, perfected the company's Internal Control Implementation Rules of steam turbine business and strengthened the contract review. The company has been made the constant follow-up of the execution of signed contracts, paid close attention to the risk control of contract execution quality and extended the risk control work from contract signing stage to contract execution. By establishing and improving the price system, the company carried out the analysis on the costs, profitability and cash flow of the contract products, thus to lay a foundation for the company implementing the goals of product profits and costs control.

The company increased the assessment and incentive for the collection of accounts receivable, improved the daily handling mechanism and the process of accounts receivable, regularly visited customers to know the progress well and properly used the legal means to actively make the collection. The company continuously strengthened the inventory management, actively communicated and made consultations with the unit users who had a long period inventory and carried out the timely and reasonable disposal of inventory.

The company strengthened the management of fund use, perfected the management processes including entrusted wealth management, investment cooperation with the external and guarantees for the external, and strengthened the examination and approval and supervision of the outflow of funds, thus ensured the safety and liquidity of the company's operating funds. The company enhanced the legal risk management, and it combed the process of the main business of the company, identified the legal risk and proposed the measures, thus constructed the company's legal risk management system.

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

Applicable

Company name	Acquisition and	Write off time	Contribution	Funded ratio
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	disposal of subsidiaries during the reporting period			
Xinjiang Taifeng Hangzhou Steam turbine complete technology development Co., Ltd.	Write off	April 2017	10.20 million	51%
Hangzhou Hangqi Boiler Co., Ltd	Write off	April 2017	10 million	50%

Hangzhou Steam turbine Co., Ltd.

Board chairman: Zheng Bin

August 18, 2017