

Stock Code: 200771 Stock ID: Hangqilun B Announcement No. 2018-14

Hangzhou Steam Turbine Co., Ltd.

Summary of 2017 annual Report

I. Important Notice

This annual report summary is taken from the full text of the Annual Report. Investors are advised to read carefully the full text of the Annual Report published on the media designated by China Securities Regulatory Commission in order to fully understand the company's operation results, financial position and future

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.

Applicable

Share capital increase from the capital reserve

No

The Board has considered and approved a proposal for profit distribution: Based on the total shares of 754,010,400, a cash dividend of RMB0.50 (tax inclusive) per 10 shares would be distributed to all the shareholders, with no stock dividend in any form

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	0571-85780433	0571-85780433	
Fax	0571-85780198	0571-85780438	
E-mail	wg@htc.cn	wangch@htc.cn	

2. Major operations or products during the reporting period

As the leading provider of turbo machinery equipment and relevant service in China, our company is mainly famous for designing and producing rotating turbo machinery like industrial steam turbines and gas turbines. Our company, one of the major companies drafting the industrial standard in Chinese domestic industry of industrial steam turbine, has developed into the biggest base to research, develop and produce industrial steam turbines in China and ranks first among industrial steam turbine producers in terms of the market occupancy. Holding the principle "our products should be based on clients' demands" as our business mode and characteristic, our

company designs and produces in accordance with every client's personal demands so as to meet personalized needs in engineering projects to the utmost. To realize the fast research and development of our products, our company has adopted the advanced modular design technique and, on the other hand, introduces information technique to assist the collaborative production to achieve the resource saving and flexible production. In addition, our company also provides our clients with relevant service such as engineering programs, general engineering contracting, operation and maintenance of our products as well as remote control and so on.

Industrial steam turbines use the steam featuring high temperature and high pressure as their working medium so as to convert the thermal energy into mechanical energy to drive various industrial equipments through the rotating steam turbines. As for different objects driven by industrial steam turbines, the steam turbines could be divided into industrial driving steam turbines and industrial power-generation steam turbines. Mainly driving rotating machines like compressors, air blowers, pumps and squeezers, industrial driving steam turbines, as the core power part in numerous large-scale industrial equipments, are always introduced into some industries like oil refining, chemical engineering, chemical fertilizer, building materials, metallurgy, electric power, light industry and environmental production. The industrial power-generation steam turbines, mainly utilized to drive electric generators and provide thermal energy, are mainly adopted in private stations, regional projects of combined heat and power generation, power generation by recycling waste heat in industrial production, urban waster power plants and gas-steam combined cyclepower stations in various industrial sectors. The gas turbines produced by our company are mainly used by metallurgical industry to recycle the waste heat from the blast furnace exhaust to generate power.

In the gas turbine business, the Company has cooperated with Siemens on the advanced natural gas turbine SGT-800 model-with features of high efficiency, high reliability and low emission, thus to enter the distributed natural gas field. As the general whole-set maker of SGT-800 in China, the company has launched the gas turbine business in respect of the project procurement and the integrated implementation. Hangzhou Steam Turbine has the type selection ability for the distributed energy combined cycle project, has established a complete system of supporting standard and material system, and it can complete the independent processing or matching work for the equipment besides the gas turbine body. In the industrial fields including the cogeneration /combined cycle power plant and the oil & gas project with distributed energy projects that adopt the small and medium gas turbines, the Company not only can provide gas turbine equipment for customers, but also can provide customers with complete sets of equipment for gas turbine power plant and the efficient integrated solutions. Especially, it can provide customers with operational support services throughout the product life, and this service model is conducive for the establishment of long-term business cooperation relationships between the company and its customers.

As the major producer of industrial equipments in China during the report period, our company is mainly benefited from the following factors in terms of the elements driving our business performance:

1. On the basis of market demands. The relevant market demands fluctuate differently due to various business condition and investment cycles in different industrial fields. The company further made more specified positions

toward the market for the products, implemented the differentiated marketing strategy, and integrated the business sectors and tapped into the potential. During the reporting period, the domestic oil refining and chemical investment projects started at multiple points and drove the demand for related equipment manufacturing. The company grasped the growth opportunities in the petrochemical sector, and formulated the flexible price strategies for the fields of low-end and mid-end drive, ensured the market share and continuously consolidated and strengthened the existing market advantages. Adhering to the "Go global" strategy, the Company continued to expand the overseas markets, establish overseas offices and increase its market influence.

2. Innovation and further reform in difficult areas of product technology.

Our company continuously improves product technical performance and tackles hard issues in the scientific researches of product structure, core parts, basic design, manufacturing technology, material technology, etc. In addition, basing on clients' demands, our company launches the study "The Demonstration and Application Project for Packaging Technology of Steam Turbine" to push forward the intelligence of our products and the development of the integration technology. Meantime, the company cooperated with universities, scientific research institutes to build the technological exchange and cooperation platform.

3. Upgrading and transformation of industrial structure transformation.

The company jointed with Siemens to enter the distributed energy market and enhance the development and utilization of natural gas distributed energy. In the industrial fields including the cogeneration /combined cycle power plant and the oil & gas project with distributed energy projects that adopt the small and medium gas turbines, the Company not only can provide gas turbine equipment for customers, but also can provide customers with complete sets of equipment for gas turbine power plant and the efficient integrated solutions.

4. Brand and market position. The company's products have a good reputation and extensive brand influence in the domestic market, The company has maintained a leading market share in the domestic industrial drive. The company's products have a high reputation and brand influence in the domestic market.

5. Cost controlling level. As domestic labor costs continue to rise and the price of industrial products continue to decline, the product profitability is facing a severe test. In recent years, the company continuously improves the level of costs controlling by improving the organizational structure, optimizing business processes, enhancing the supply chain controlling, strengthening risk management, raising the efficiency of all the staff and so on.

6. Emphasis on quality engineering and services: promote the key project management, meticulously plan key projects, implement dynamic quality supervision; attach importance to products' after-sales service market, integrate existing resources to increase after-sales service initiative, extend product value chain, and promote the company's transformation from manufacturing to service.

3. Major accounting data and financial indicators

(1) Major accounting data and financial indicators for the last three years

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

No

In RMB				
	2017	2016	Changed over last year (%)	2015

Operating Gross income (RMB)	3,447,142,669.49	3,235,303,379.24	6.55%	2,600,072,151.63
Net profit attributable to the shareholders of the listed company (RMB)	68,753,250.90	31,955,445.73	115.15%	-162,809,311.79
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (RMB)	-1,460,504.46	-8,366,688.71	82.54%	-196,163,971.66
Cash flow generated by business operation, net (RMB)	205,302,791.77	506,159,428.42	-59.44%	355,677,773.05
Basic earning per share(RMB/Share)	0.09	0.04	125.00%	-0.22
Diluted gains per share(RMB/Share)(RMB/Share)	0.09	0.04	125.00%	-0.22
Net asset earning ratio (%)	1.12%	0.60%	0.52%	-3.77%
	End of 2017	End of 2016	Changed over last year (%)	End of 2015
Gross assets (RMB)	10,830,597,182.38	10,550,899,708.34	2.65%	7,683,777,005.63
Net assets attributable to shareholders of the listed company (RMB)	5,884,816,809.55	6,385,346,243.23	-7.84%	4,219,337,312.80

(2) Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	748,344,237.44	915,380,464.82	925,501,518.37	857,916,448.86
Net profit attributable to the shareholders of the listed company	16,752,601.64	27,243,202.74	19,997,776.79	4,759,669.73
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	-15,980,860.17	19,541,078.56	9,699,270.59	-14,719,993.44
Net Cash flow generated by business operation	-200,738,208.12	190,427,852.54	210,235,136.96	5,378,010.39

Indicate by tick mark whether any of the financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or semi-annual reports.

\No

4.Share capital and shareholders

(1) Number of holders of ordinary shares and preference shares with restored voting right and Top 10 shareholders

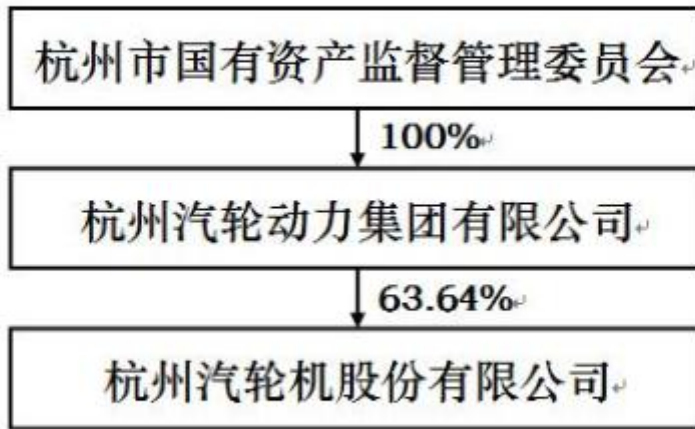
In shares

Total number of common shareholders at the end of the reporting period	14,748	Total shareholders at the end of the month from the date of disclosing the annual report	14,551	The total number of preferred shareholders voting rights restored at period-end	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report	0
Shareholdings of Top 10 shareholders							
Shareholders	Nature of	Proportion of	Number of	Amount of restricted shares held	Number or share		

	shareholder	shares held (%)	shares held at period -end		pledged/frozen	
					State of share	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		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.46%	3,454,046	0		
ISHARES CORE MSCI EMERGING MARKETS ETF	Foreign legal person	0.36%	2,745,901	0		
Zhou Jie	Domestic Natural person	0.35%	2,676,000	0		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.33%	2,461,880	0		
China Merchants Securities(HK)Co., Ltd.	State-owned legal person	0.32%	2,400,149	0		
Xia Zulin	Domestic Natural person	0.29%	2,190,000	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 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	Not applicable					

(2) Total preference shareholders and the shares held by the Top 10 Preference shareholders

Not applicable

(3)Block diagram of the ownership and control relations between the Company and the actual controller

5. Corporate Bonds Indicate by tick market whether the Company has any corporate bonds publicly offered and listed on the stock exchange, which were undue before the date of this Report's approval or were due but could not be redeemed in full.

Nil

III. Discussion and Analysis of the Management**1. Business Operation summary in the reporting period**

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

No

In 2017, the world economy showed a clear momentum of recovery. China's supply-side structural reforms continued to deepen, the "Three cuts, one reduction, one subsidy" work was steadily promoted, and the policy dividends continued to be released, hence the effectiveness of policies gradually became apparent and the Chinese economy maintained a steady and positive trend.

The company actively seized the development opportunities of the gradual recovery of end demand, and promoted the implementation of the company's "13th Five-Year Plan" strategy in accordance with the annual work principle of "steadily advancing, continuous innovation, deeply plowing the market, lean management and enhancing risk control": increased technological innovation and enhanced the company's core competitiveness; actively explored new markets and actively grabbed market orders; promoted the "lean production" and "integrated management"; strengthened the prevention and control of major risks in key business areas, and enhanced the business efficiency of enterprises, thus successfully realized the company's annual business goal. Under the background of the decline in the operating income of the overall domestic steam turbine industry, the company's operating income realized the counter-trend growth, with the rank of total profit returned to the

forefront.

For the report period, the Company has realized turnover of RMB 3447.1427 million, a increase of 6.55%; Total profit of RMB132.6561 million , a increase of 71.35%, net profit attributable to owners of the parent company of RMB68.7533 million, a increase of 115.15%.

Operating quality was well enhanced. During the reporting period, the company's total profit, net profit attributable to the shareholders of the listed company, the amount of new orders, the amount of export contract orders and so forth all showed significant growth. The indicators including the company's main business income, product output value and product market share increased slightly, and the accounts receivable and finished goods inventory had been controlled well, showing that the company's sustainable development quality has been further strengthened. In order to realize the transformation and upgrading of the company, during the reporting period, the company continued to promote the construction of two projects of steam turbine heavy industry and scientific research building, creating a good environment for the company's development.

Shengeng market obtained good results. During the reporting period, the company's major target market was significantly differentiated. Facing the complicate situation with the strong rebound in investment in refining and chemical industry, the rapid growth of thermoelectricity industry and some chemical industries and a slow decline in the power industry, the company has seized the opportunities and has realized the contract of 281sets /3.865 billion yuan (including tax, similarly hereinafter) in the whole year, reached the second highest level in the company's historical contract amount. Thereinto, the total contract amount of steam turbine was RMB 3.281 billion, which exceeded the RMB 3.269 billion in 2011 and hit the historical high. In particular, the company competed against the international industry giants at the same price level for the same project, and successfully obtained two mega-projects-namely Dalian Hengli project and Zhejiang Petrochemical project-with a total of 94 sets and the amount of RMB1.13 billion, and the company obtained a number of orders of excellent projects including Yantai Wanhua 1 million tons ethylene project, Zhongke Zhanjiang 10 million tons oil refining and 0.8 million tons ethylene project and Changshu Pufa garbage power plant (15MW+30MW), as well as the Company concluded and signed contract for four sets of SGT-800 gas turbine unit, which fully demonstrated the excellent technological ability and good reputation of the company in the high-end market of the industry.

During the reporting period, the company's "going out" strategy took new steps. The 120,000 air-to-air combined cycle unit of the Iranian Cavi Group smoothly connected to the grid, enabling the company to once again qualify as a major Iranian supplier to customers; the establishment of an office in Thailand expanded the company's influence in the power generation market in Southeast Asia, and played an active market fulcrum. Features. Strengthen communication with overseas customers in overseas power generation market, closely contact with domestic general contractors, and expand the company's overseas influence by "borrowing to sea"

The awareness of risk control has increased significantly. During the reporting period, the company further perfected the "Detailed Rules for Internal Control of Steam Turbine Business Contracts in Foreign Trade" and "Detailed Rules for Internal Control of Steam Turbine Business Contracts in the Industry-Drive Industry", and the working mechanism of accounts receivable regular meetings and risk control regular meetings was effectively

operated, which focused on contract review and legal proceedings, key project contract execution, inventory unit disposal, large parts delivery specifications, compressor project disposal, long aging accounts receivable processing and other issues, carried out the risk point identification and preplan assessment, and paid attention to the completeness of contract performance, thus evidently improved the company's management ability to deal with business risks.

Continuous breakthroughs in technological innovation. During the reporting period, the company continued to increase its efforts in scientific research and achieved important breakthroughs in the development of the efficient blade type and high-efficiency models. The new straight blade T8/T9 type has fully entered the stage of promotion for popularized use, and the newly-developed high-efficiency GK2.1 and GK1.3 twisted-blade blades have once again successfully improved the overall performance of the steam turbine, as well as there were a number of new product development projects such as "Development of NK63 /2.2 Low-Pressure Residual-Heat Efficient Condensing Steam Turbine" and "Development of NK80/2.8 Low-Pressure Residual-Heat Efficient Condensing Steam Turbine", thus further ensured the Company's technological superiority in the market competition. Relying on large projects, the achievement of integrated assemble technology has been further applied. PLM (Product Life Cycle Management) Phase II, MES (Production Execution System) Phase I Project, and Smart Manufacturing Demonstration Project achieved substantive results. The company and its 5 holding subsidiaries have passed the review for the qualification of national high-tech enterprise. The company's major technology research project "Key Technology Development and Application of 1000MW Grade Power Station Boiler Feed Pump Turbine" won the Second Prize of Science and Technology of China Machinery Industry Federation and the first prize of Zhejiang Science and Technology Progress Award, and the "Key Technology Research and Application of Low Pressure Long Blade for Industrial Steam Turbine" won the first prize of Science and Technology of China Machinery Industry Federation. The company took the lead in setting up the Zhejiang Steam Turbine & Gas Turbine Machinery Innovation Center. In 2017, the company obtained 12 invention patents, 29 utility model patents and 5 software copyrights; in 2017, it applied for 3 invention patents and 9 utility models.

Steady improvement in manufacturing capabilities. During the reporting period, in the face of new blowout pressures of new orders in a stage, the company adhered to the concept of market-oriented and customer supremacy, adopted the lean production and sales routes, coordinated the internal and external resource allocation, expanded manufacturing capabilities, and spared no efforts to cope with the short product delivery cycle and the large fluctuations in production capacity demand. The company optimized the production planning management, rationally allocated the scheduling of unit production, set up safety stocks for key parts, ensured that the key outsourcing kits and imported parts were put in place in a timely manner, so that there was smooth connection of production and sales and the company maximumly met the customers' requirements of delivery dates, product quality, and service response.

Substantive achievements in management enhancement. During the reporting period, the company, through optimizing the organization of production line, almost fully established the production mode of steam turbine heavy industry after relocation and reconstructing. The company launched the implementation of an integrated management system project to create a process-oriented organization and initiated a lean production project to create great profitable tools in the meager profit-making era, resulting in a number of outstanding management innovations and: "Big data platform project for construction process of discrete manufacturing industry" won the second prize of National Advanced Productivity Outstanding Contribution, and that project and the "Carrying out craftsman training project to shape the great quality of heavy equipment in the country" respectively won the first and second prizes of the modernization and innovation of enterprise management in Zhejiang and Hangzhou, and the three projects namely "The first set of exquisite projects" and "Risk control system construction" and "Construction of management platform for flexible installation for steam turbines" respectively won the second and third prizes of the modernization and innovation of Hangzhou Enterprise Management. According to the requirements of the higher authorities, the company sorts out the "small and weak" holding subsidiaries, reduces the company's management level, writes off some subsidiaries, and improves asset quality.

2. Material Change to Main Business in Reporting Period

Yes No

3. Products Contributing over 10% of Main Business Revenue or Income

Applicable Not applicable

In RMB

Name	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
Industrial steam turbine	2,692,843,753.69	1,989,579,236.24	26.12%	-2.45%	2.69%	-3.70%

4. Seasonal or cyclical operations requiring special attention

No

5. Material difference of revenue, operating costs or net profit attributable to holders of ordinary shares of the

Company for the reporting period from the last reporting period

Yes No

Applicable Not applicable

6. Suspension in trading or delisting

Applicable Not applicable

7. Events relating to the financial report

(1) Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

Applicable Not applicable

1. Since May 28, 2017, the company has implemented the “No. 42 Accounting Standards for Business Enterprises-Non-current assets for Sale, disposal Group, and termination of operation” formulated by the Ministry of Finance, and since June 12, 2017, the company has implemented the revised “No. 16 Accounting Standards for Enterprises-Government Grants”. The change of accounting policy is handled by the future applicable method.

2. The Company implemented the “Notice on the Issuance of the Revised Format of Financial Statements for General Enterprises (Caihui [2017] No. 30)” in the preparation of the 2017 annual statement, so that the gains and losses on the disposal of non-current assets and the gains and losses of non-monetary asset exchange previously stated in "Non-operating income" and "Non-operating expenses" were presented in the “Assets disposal income”. This change in accounting policy adopted the retrospective adjustment method, which reduced the 2016 non-operating income by RMB 387,292.53 and increased the asset disposal income by RMB 387,292.53.

(2) Reason for retrospective restatement to correct major accounting errors during the reporting period

Applicable Not applicable

(3) Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

Applicable Not applicable

The number of subsidiaries included in the scope of the consolidated financial statements for the reporting

year was reduced by five.

In which, 1. Due to the cancellation of Zhejiang Runhong Gas Turbine Engineering Co., Ltd, its holding equity of its subsidiary Zhejiang Zhongrun Gas Turbine Technology Co., Ltd (10 million yuan) was transferred to Zhejiang Touping Import & Export Trade Co., Ltd (a wholly-owned subsidiary to the company) and Ningbo Daxie Development Zone Huashun Industry & Trade Co., Ltd. After the equity disposal was completed, Zhejiang Turbine Import & Export Co., Ltd. held 32.22% stake of Zhejiang Zhongrun Gas Turbine Technology Co., Ltd, so the company lost the control right of Zhejiang Zhongrun Gas Turbine Technology Co., Ltd, and thus it was no longer included in the consolidation scope.

2.The other four subsidiaries were not included because of the liquidation and cancellation.

In RMB				
Company Name	Way of Equity Disposition	Time Point of Equity Disposition	Net Assets on the Date of Disposition	Net Profits from the Beginning of the Period to the Date of Disposition
Xinjiang Taifeng Hangzhou Steam Turbine Complete Technology Development Co., Ltd.	Chearing	April 25,2017	17,061,690.18	181,238.78
Hangzhou Steam Turbine Boiler Co.,Ltd.	Chearing	April 27,2017	19,665,256.43	1,130,995.08
Hangzhou Pangtong Electromechanical Equipment Co., Ltd.	Chearing	December 21,2017	1,086,391.89	-115,873.20
Zhejiang Runhong Gas Turbine Engineering Co., Ltd.	Chearing	December 22,2017	34,953,788.30	2,813,561.91

Hangzhou Steam Turbine Co., Ltd.
Chairman of the Board: Zheng Bin

March 28, 2018