

Hangzhou Steam Turbine Power Group Co., Ltd.

Summary of 2023 Annual Report

I. Important Notice

This Summary is based on the full Annual Report of the Company, In order for a full understanding of the Company's operating results, financial position and future development plans, investors should carefully read the aforesaid full text on the media designated by the China Securities Regulatory Commission (the "CSRC").

All of the directors attended the board meeting on which this report was examined.

Non-standard auditor's opinion

Applicable 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 Not applicable

Whether provident fund reserve for share capital

Yes No

Based on 1,175,009,597 shares, a cash dividend of 5 yuan (tax included) will be distributed to all shareholders for every 10 shares, and 0 bonus shares (tax included) will be given, without converting the reserve fund into share capital.

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

Applicable 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 | | |
| Modified stock ID (if any) | Not applicable | | |
| Contact person and contact manner | Board secretary | Securities affairs Representative | |
| Name | Li Guiwen | Li Xiaoyang | |
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2. Major operations or products during the reporting period

During the reporting period, the Company's main business and operating model did not undergo significant changes. 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 cycle power 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 cooperated with Siemens Energy on SGT-800, an advanced natural gas turbine with high efficiency, high reliability and low emission, to enter the field of natural gas distributed energy, with its models gradually expanded to SGT-300, SGT-700 and SGT-2000E. As the general supplier of Siemens gas turbine in China, the company has carried out gas turbine business from two aspects of project procurement and integrated implementation, and has the ability of selecting combined cycle projects for distributed energy, has established the complete system supporting standards and material systems, and can complete the independent processing and supporting work of equipment other than the gas turbine itself. 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.

2023 is the year when the Company promoted the implementation of the "14th Five-Year Plan", and it is also a crucial year to promote transformation and upgrading. In the industry environment of policy regulation and control, facing the competitive pattern of excess demand, the Company maintained strategic determination and patience, showed strong resilience and vitality, adapted to the changes in the complex market environment, and finally reached the extremely challenging annual business target, laying the confidence and foundation for the subsequent enterprise transformation and high-quality development.

In 2023, the Company achieved an operating income of RMB 5,924,238,000, a total profit of RMB 735,518,000 and a net profit of RMB 666,219,300, of which the net profit attributable to shareholders of listed companies was RMB 517,680,500, compared with the same period of last year, with an operating income increase of 7.35%, a total profit increase of 3.90%, a net profit increase of 6.55%, and a decrease in net profit attributable to shareholders of listed companies of 0.90%. During the reporting period, the key work of the Company was completed as follows:

I. Strategic Navigation

During the reporting period, the Company launched the mid-term evaluation and adjustment of the "14th Five-Year" strategic plan, decomposed the mid-term adjustment report of the strategic plan, and extracted 11 performance indicators and 22 strategic tasks, paving the way for the subsequent strategy. It tracked the completion of strategic performance indicators every month and issued quarterly strategic performance analysis report, which provided effective basis for the Company's scientific decision-making.

During the reporting period, the Company introduced Hangzhou Qitong, a strategic investor, to further improve the governance structure of listed companies and effectively guarantee the implementation of corporate strategies. In order to improve the main business, integrate the business resources of the Company's service sector, and smoothly promote the development of the Company's independent gas turbine, the Company evaluated and traded the equity of the Sales Company, the equity of the Machinery Company, and the intellectual property rights of the independent gas turbine, clarified the ownership, solved the outstanding problems, and further improved the Company's standardized operation level.

II. Market Development

During the reporting period, the Company achieved new breakthroughs in the traditional market. Under the situation that the electrification trend continued to deepen and the industry competition significantly intensified, the Company exceeded the annual target by taking orders for steam turbines. It continuously deepened its strategic cooperation with key customers, seized the opportunity of large-scale ethylene projects, and won the bid for all seven ethylene projects, including project of PetroChina Jilin Petrochemical. It exerted the influence of benchmarking projects in the coal chemical sector, improved the bid winning rate of products, and successively undertook many projects such as projects of Xinjiang Zhongtai, Hesheng Silicon Industry and Jinchang Nenghua. It undertook the first large-scale coal chemical project since the implementation of the "carbon peaking and carbon neutrality" policy, and was awarded with the project of all the Inner Mongolia Baofeng coal-to-olefin units, which became a successful case of the big customer system in the field of coal chemical industry. It concentrated on the target customers of superior products and obtained continuous and stable orders in superior provinces. It flexibly used the market competition strategy, and its market share of feed water pump/induced draft fan turbine in large power plants has obviously rebounded.

During the reporting period, the Company achieved "fist" products going abroad, and productive results in the Middle East and other regions in driving business, with a total of 11 sets of units came into effect throughout the year. The successful implementation of refrigeration compressor set in MTBE unit of SABIC Group in Saudi Arabia

marked the first application of steam turbine compressor set made in China in local refining and chemical projects in Saudi Arabia, which opened up a new situation for high-end market expansion of China's power equipment in the Middle East. Its word-of-mouth effect of feed water pump sector gradually appeared, and it won the bid for 10 sets of 300,000-grade feed water pump steam turbines in the Indonesian market throughout the year. It achieved results in the power generation sector, undertaking 12 sets of overseas projects throughout the year, and expanding its market to Cyprus, Syria, Mexico and Cote d'Ivoire.

III. Transformation and Upgrading

During the reporting period, the Company built an all-round integrated service model based on the whole life cycle of the unit and covering all links, and built and put into operation the "localization service" demonstration area in Pakistan. It completed the phase II construction of the service management platform, and realized the system information chain through the "life cycle management of large customer equipment". It integrated resources such as condition monitoring, fault diagnosis and life extension evaluation to promoted the construction of "Hangzhou Turbine Smart O&M Center". It established the management mechanism of customer return visit, patrol inspection and training; improved service quality and efficiency based on user demand, and realized service system standardization.

During the reporting period, the Company carried out lean design and lean research and development in various dimensions, and completed the development of 12 new product projects, including the 6.3m³ exhaust Cyprus project with the largest exhaust model, Kangheng Hanchuan project with ultra-short delivery period, etc., and completed the series development and application of subcritical units and high-speed and high-efficiency condensing units. It overcame the development challenges of double-cylinder and dual-speed, axial-exhaust and subcritical units. It was prepared to adapt to the requirements of digital delivery and personalized factory materials market in terms of technology, and continued to narrow the design and implementation differences of new foreign trade-driven markets.

During the reporting period, the Company strengthened the management of scientific research projects and improved the conversion rate of results, and established 37 scientific research projects and accepted 41 projects; It was awarded with 6 authorized invention patents, 12 utility models and 5 software copyrights. It completed the accreditation of high-tech enterprises and the accreditation and evaluation of national enterprise technology centers, and organized the application for the key laboratory of rotor dynamics research of industrial steam turbines in Zhejiang Province and the lanneret enterprise with leading technology. In 2023, the Company won two "Pioneer" projects in Zhejiang Province, one first prize and one second prize for scientific and technological progress in Zhejiang Province, and one second prize for scientific and technological progress in China machinery industry.

During the reporting period, the Company achieved new breakthroughs in gas turbine development. It completely completed the compressor test of independent gas turbine and obtained a series of key data, which was the first successful compressor test of civil gas turbine in China; It successfully completed the full-temperature and full-pressure test of the combustion chamber, which was the first time in China to carry out the test with a hydrogen mixing ratio of over 20% in the full-size combustion chamber of an independent heavy-duty gas turbine; It completed the first phase simulation test in the semi-physical laboratory and carried out the preparatory work for the complete

machine test in an orderly manner; It gathered external superior resources, promoted the processing and manufacturing of the complete machine and hot end parts of the independent gas turbine in an orderly manner, and complete the first assembly of the rotor and the final assembly of the complete machine.

IV. Management Efficiency Improvement

During the reporting period, the Company started with the implementation of ERP projects and the construction and identification of "future factories" at the municipal level, and continuously improved its digitalization, integration and intelligence level; continuously improved and optimized platforms such as MES/PLM/OA and financial expense management system; comprehensively promoted the construction of digital factories, deployed 67 workstations in each workshop, and significantly improved the digitalization level of workshops; completed the development of data cockpit platform and carried out the construction of base 3D virtual factory.

During the reporting period, the Company further improved the assessment of economic responsibility system, optimized the assessment index system of each assessed subject, and realized scientific assessment methods, systematized assessment orientation, personalized assessment indicators and refined agreement contents of all departments. It started with project improvement to promote lean improvement, and declared and registered 30 lean improvement projects and 24 acceptance projects throughout the year. It carried out the evaluation of departmental lean management indicators in 10 departments, including Industrial Turbine Research Institute and Manufacturing Department, and promoted the improvement of lean management capabilities of all departments. It fully summarized the achievements of Lean 1.0, and formed a Lean 2.0 system plan by multi-dimensional construction.

During the reporting period, the Company focused on talent selection, use, education and retention, and continuously improved the efficiency of human resource management. It promoted the overall performance management, and 94% of the Company's grass-root employees participated in the annual overall performance assessment and result evaluation; It completed the *Medium and Long-term Human Resource Allocation Planning Report for 2023 -2028* around the strategic orientation of its transformation. The Company adhered to the working principles of "Party building leading, service centered, full participation, continuous improvement and incentive orientation" and compiled the *Guiding Opinions on Cultural Entry*, so as to comprehensively enhance the soft power of corporate culture.

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.

Yes No

In RMB

| | End of 2023 | End of 2022 | Changed over last year (%) | End of 2021 |
|--|-------------------|-------------------|------------------------------|-------------------|
| Gross assets (Yuan) | 15,927,680,116.23 | 15,374,999,610.32 | 3.59% | 16,319,667,628.76 |
| Net assets attributable to shareholders of the listed company (Yuan) | 7,899,275,900.66 | 8,328,481,114.19 | -5.15% | 7,927,485,773.65 |
| | 2023 | 2022 | Changed over last year (%) | 2021 |

| | | | | |
|---|------------------|------------------|---------|------------------|
| Operating revenue (Yuan) | 5,924,238,021.22 | 5,518,841,939.82 | 7.35% | 5,788,288,588.91 |
| Net profit attributable to the shareholders of the listed company (Yuan) | 517,680,522.56 | 522,396,807.32 | -0.90% | 649,992,474.56 |
| Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (Yuan) | 362,006,895.23 | 379,955,440.30 | -4.72% | 428,122,980.65 |
| Cash flow generated by business operation, net (Yuan) | 877,209,485.62 | 324,140,805.63 | 170.63% | 71,809,489.02 |
| Basic earning per share(Yuan/Share) | 0.44 | 0.45 | -2.22% | 0.57 |
| Diluted gains per share(Yuan/Share) | 0.44 | 0.45 | -2.22% | 0.57 |
| Net asset earning ratio (%) | 6.38% | 6.47% | -0.09% | 8.01% |

(2) Main Financial Index by Quarters

In RMB

| | First quarter | Second quarter | Third quarter | Fourth quarter |
|--|------------------|------------------|------------------|------------------|
| Operating revenue | 1,089,224,031.37 | 1,533,021,021.62 | 1,271,711,463.48 | 2,030,281,504.75 |
| Net profit attributable to the shareholders of the listed company | -48,089,348.88 | 197,789,095.01 | 124,458,434.91 | 243,522,341.52 |
| Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company | -59,744,696.75 | 164,860,343.72 | 93,744,617.14 | 163,146,631.12 |
| Net Cash flow generated by business operation | -160,624,833.67 | 495,791,011.01 | 317,024,205.43 | 225,019,102.85 |

Any material difference between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports?

Yes 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 | 10,862 | Total shareholders at the end of the month from the date of disclosing the annual report | 10,987 | 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 |
|--|-----------------------|--|--------------------------------------|---|--------------------------------|--|---|
| Top ten shareholders (Excluding shares lent through refinancing) | | | | | | | |
| Shareholders | Nature of shareholder | Proportion of shares held (%) | Number of shares held at period -end | Amount of restricted shares held | Number or share pledged/frozen | | |
| | | | | | State of share | Amount | |

| | | | | | | |
|---|--|--------|-------------|-------------|----------------|---|
| Hangzhou Turbine Holdings Co., Ltd. | State-owned legal person | 58.68% | 689,715,889 | 689,715,889 | Not applicable | 0 |
| Hangzhou Qitong Equity Investment Partnership (LP) | State-owned legal person | 5.00% | 58,810,799 | 58,810,799 | Not applicable | 0 |
| China Merchants Securities(HK)Co., Ltd. | Foreign legal person | 0.73% | 8,522,369 | 0 | Not applicable | 0 |
| GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED | Foreign legal person | 0.69% | 8,169,032 | 0 | Not applicable | 0 |
| Zhou Jie | Foreign legal person | 0.68% | 7,974,900 | 0 | Not applicable | 0 |
| ISHARES CORE MSCI EMERGING MARKETS ETF | Foreign legal person | 0.57% | 6,736,634 | 0 | Not applicable | 0 |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | Foreign legal person | 0.56% | 6,578,411 | 0 | Not applicable | 0 |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND | Foreign legal person | 0.52% | 6,144,344 | 0 | Not applicable | 0 |
| NORGES BANK | Foreign legal person | 0.33% | 3,922,665 | 0 | Not applicable | 0 |
| Xia Zulin | Domestic Natural person | 0.32% | 3,810,000 | 0 | Not applicable | 0 |
| Explanation on associated relationship among the aforesaid shareholders | (1) Hangzhou Turbine Holdings 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 Turbine Holdings Co., Ltd.; (3) Hangzhou Turbine Holdings Co., Ltd. and Hangzhou Qitong Equity Investment Partnership (LP) are 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 | | | | | |

Lending of shares by the top ten shareholders participating in refinancing business

Applicable Not applicable

The top ten shareholders have changed from the previous period

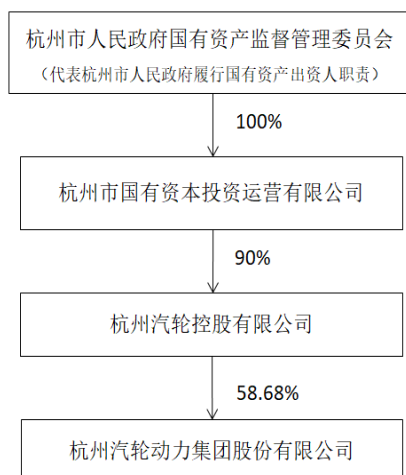
Applicable Not applicable

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

Applicable Not applicable

The Company has no preferred shareholders during the reporting period.

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



5. Bonds in existence as of the approval date of the annual report

Applicable Not applicable

III. Important Events

Nil

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

April 30, 2024