

Hangzhou Steam Turbine Co., Ltd.

Summary of 2020 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

The Board of Directors, The Supervisory Committee, the supervisors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

Chairman Mr. Zheng Bin, Chief Financial Officer Zhao Jiamao, and the Chief of Accounting Department Mr. Jin Can hereby declare: the Financial Statement in the report is guaranteed to be truthful and complete.

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

This Report contains prospective descriptions, which doesn't constitute substantial commitment to investors. Investors are requested to be aware of the risks attached to their investment decisions.

Please refer to the prospects for the future development of the company in Section 4 for the risks in the company's operations. The company's designated information disclosure media are: Shanghai Securities News (Chinese), Securities Times (Chinese), Hong Kong Commercial Daily (English), <http://www.cninfo.com.cn> (In English and Chinese), all information of the company is subject to the information published in the above selected media. Investors are advised to pay attention to investment risks.

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

The company's designated information disclosure media are: In 2020, with the total share capital of 754,010,400 shares at the end of the year deducting 19,551,800 treasury shares repurchased as of date of record by Company, that is, 734,458,600 shares, the Company would distribute cash dividend to all the shareholders at the rate of CNY 2.5 for every 10 shares (with tax inclusive), 0 bonus shares, and no reserve would be converted 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		
Contact person and contact manner	Board secretary	Securities affairs Representative	
Name	Li Guiwen	Wang Caihua	
Address	No. 357 Shiqiao Rd. Hangzhou	No. 357 Shiqiao Rd. Hangzhou	
Fax	0571-85780433	0571-85780433	
Tel	0571-85780058	0571-85780438	
E-mail	lgw@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 company fully grasped the market characteristics such as the continuation of the refining-chemical integration, the warming of coal chemical industry, and the improvement of customer concentration in the market, actively planned the "online marketing" work mode and piloted the new carrier of "online+offline" work according to the needs of different customers, further consolidate the original market position and expand the market share in new fields. The overseas markets overcame the impact of the epidemic and further expanded their 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.

Yes No

In RMB

	2020	2019	Changed over last year (%)	2018
Operating revenue (Yuan)	4,496,445,244.55	4,279,848,518.81	5.06%	4,642,807,589.69
Net profit attributable to the shareholders of the listed company (Yuan)	459,345,443.38	345,138,064.00	33.09%	345,824,339.47
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (Yuan)	372,697,902.88	302,012,173.45	23.40%	280,075,101.48
Cash flow generated by business operation, net (Yuan)	454,416,600.69	432,255,831.23	5.13%	644,433,167.20
Basic earning per share(Yuan/Share)	0.62	0.46	34.78%	0.46
Diluted gains per share(Yuan/Share)	0.62	0.46	34.78%	0.46
Net asset earning ratio (%)	6.24%	5.48%	0.76%	5.82%
	End of 2020	End of 2019	Changed over last year (%)	End of 2018
Gross assets (Yuan)	15,392,653,924.41	12,600,115,579.96	22.16%	11,569,169,903.81
Net assets attributable to shareholders of the listed company (Yuan)	8,104,788,941.36	6,607,496,148.58	22.66%	6,007,540,929.16

(2) Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	697,880,677.71	1,323,786,748.56	1,271,363,320.01	1,203,414,498.27
Net profit attributable to the shareholders of the listed company	-15,519,633.02	246,427,770.74	132,265,657.57	96,171,648.09

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Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	-22,412,384.48	187,920,405.28	111,826,970.81	95,362,911.27
Net Cash flow generated by business operation	150,122,015.81	176,842,676.22	-117,174,042.01	244,625,950.67

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.

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	11,883	Total shareholders at the end of the month from the date of disclosing the annual report	11421	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 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 Steam Turbine Power Group Co., Ltd.	State-owned legal person	63.64%	479,824,800	479,824,800			
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	1.96%	5,365,877	0			
Zhou Jie	Domestic Natural person	1.58%	4,341,100	0			
China Merchants Securities(HK)Co., Ltd.	State-owned legal person	1.50%	4,117,303	0			
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	1.45%	3,962,204	0			
ISHARES CORE MSCI EMERGING MARKETS ETF	Foreign legal person	1.18%	3,231,301	0			
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.98%	2,679,711	0			
NORGES BANK	Foreign legal person	0.92%	2,514,529	0			
Xia Zulin	Domestic Natural person	0.85%	2,320,000	0			
Gu Yang	Domestic Natural person	0.55%	1,504,552	0			
Explanation on associated relationship among the aforesaid shareholders				<p>(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)</p> <p>(2) There is no relationship between Hangzhou Steam Turbine Power Group Co., Ltd. and other shareholders;</p> <p>(3) Hangzhou Steam Turbine Power Group Co., Ltd. is not an "action-in-concert" party with any of other</p>			

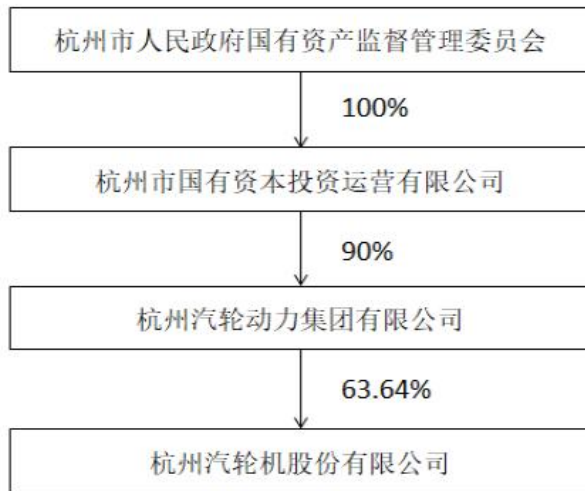
	shareholders as described by the "Administration Rules of Informational Disclosure about Change of Shareholding Statuses of PLCs".
Notes to the shareholders involved in financing securities (if any)	Not applicable

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

Applicable Not applicable

None

(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.

No

III. Discussion and Analysis of the Management

1. Business Operation summary in the reporting period

The company carried out various management work based on the economic work policy of "winning the relocation, intensively cultivating the market, developing enterprises by culture and striving for first-class". The annual business performance showed a trend of low and then high, with the completion of various business indicators better than expected, highlights in the driving market, fruitful achievements in scientific and technological progress, successful completion of relocation, accelerated informatization construction and initial improvement of management. During the reporting period, the company realized operating income of 4,496.4452 million yuan, with a year-on-year increase of 5.06%; The total profit was 620.933 million yuan, with a year-on-year increase of 30.07%; Net profit attributable to shareholders of listed companies was 459.3454 million yuan, with a year-on-year increase of 33.09%. The company's business objectives were achieved smoothly.

The main work carried out during the reporting period and the operating results obtained are as follows:

(I) Grasp the opportunity, intensively cultivate the market and occupy the driving commanding heights

During the reporting period, the refining and chemical market in the domestic driving sector continued, the coal chemical industry market tended to recover, the competition in the traditional thermoelectric field in the industrial power generation sector intensified, the development of the feed water pump market was still limited, the overseas market share was limited, and the overall new orders received by the company rose steadily.

The company continued to seize the high-quality orders of domestic large-scale refining-chemical integration and ethylene plant projects by virtue of its competitive advantages, and signed contracts for Shenghong Petrochemical's 16 million tons/year refining-chemical integration project, PetroChina Jieyang's 20 million tons refining and 1.4 million tons ethylene project, Zhenhai Refining and Chemical's 1.2 million tons ethylene project, CNOOC Huizhou Refining and Chemical Phase 2.5 project, and Sinopec Hainan Refining and Chemical's 1 million tons ethylene and supporting refining units.

With the help of the recovery trend of coal chemical market, the company successfully signed a contract for the steam turbine for phase I project of 1.8 million tons of ethylene glycol of Shaanxi Coal Group, and successfully obtained the coal chemical projects such as Yulin Energy Ethylene Glycol and Ningxia Baofeng Energy Coal-to-Olefin Phase III.

Competition in the power generation market is becoming more and more fierce, and orders in the traditional thermoelectric field are declining. Although the market of feed water pump and induced draft fan has achieved better results than in previous years, the market development space in this field is limited.

The company has deepened cooperation with Siemens in an all-round way, covering SGT-800, SGT-700, SGT-300, SGT-2000E and other models, effectively improving the sales, design and after-sales service management capabilities of gas turbines, and further expanding the market influence. In the field of gas turbine market, the company signed contracts for CGNPC Wuhan Hanergy Distributed Energy Project and Anhui Shanneng Fanchang Economic Development Zone Cogeneration Project.

(II) Continue to innovate, keep improving, and make break-through in new technological fields

The company continued to increase investment in research and development, independently innovated and developed new products, and tackled key technical problems. During the reporting period, 33 scientific research projects were established in the company's headquarters, including 9 new products and 24 scientific research projects. 29 scientific research projects have been completed and accepted. Where, the project "Key Technology and Application of High Efficiency and High Reliability Variable Speed Industrial Steam Turbine for Driving" won the first prize of China Machinery Industry Science and Technology Award. The project "Industrial Steam Turbine for Core Plant of Ultra-large Ethylene Project with an Annual Output of 1.2-1.5 million tons" was

selected as the first equipment engineering key project in Zhejiang Province in 2020. "1.5 million tons/year Industrial Steam Turbine for Ethylene Plant Drive" won the first international product (set) in the key field of equipment manufacturing industry in Zhejiang Province in 2020. The company won the honorary title of "Single Champion Model Enterprise in Manufacturing Industry (Fifth Batch)" by Ministry of Industry and Information Technology and China Federation of Industrial Economics.

The company completed the construction of the overall technical framework of the 100,000-class industrial steam turbine, and formed a complete product map of the 120,000-kilowatt industrial-driven steam turbine. The unit efficiency was steadily improved, and the models were more abundant. The successful development of Dalian Hengli 1.5 million tons steam turbine for ethylene plant indicates that the company's products and technology have reached the world leading level. The delivery of the first subcritical unit shows that the company's technical design capability, material standard system and process manufacturing capability have entered a new level and have been widely recognized by the market.

The company's "Industrial Internet Application Service Platform Construction Project" has been put into trial operation. The company completed the docking of supply chain system and WMS system of stereo library, continuously promoted MES system, promoted digital factory research and hybrid cloud project, and built a more favorable platform for the company's intelligent manufacturing.

The company and its holding subsidiaries have obtained 3 invention patents, 38 utility model patents and 5 software copyrights. Where, the company's "Last Blade of Low Pressure Group of Large Flow Air-cooled Steam Turbine" won the Chinese Patent Excellence Award for the first time. The company and its holding subsidiaries, Hangzhou Zhongneng Steam Turbine Power Co., Ltd., Hangzhou Guoneng Steam Turbine Engineering Co., Ltd., Zhejiang Turbine Complete Technology Development Co., Ltd., Zhejiang Huayuan Steam Turbine Machinery Co., Ltd. and Hangzhou Turbine Casting Co., Ltd., have all been appraised as "high-tech enterprises".

(III) Relocate in an all-round way, ensure supply and win the tough battle of production

The main production workshops of the company, such as assembly workshop and rotor workshop, have been successfully completed and accepted, and the steam turbine manufacturing base has already met the production conditions. In November 2020, the company's production workshop, personnel and equipment were all moved to Hangzhou Turbine Manufacturing Base, and the company's relocation work was successfully completed.

Affected by objective factors such as epidemic situation and relocation, the company faces many difficulties such as shrinking production capacity and hindering the progress of outsourced processing. In the face of difficulties, the company coordinated the production workshops to organize the division of labor, and created favorable conditions for reducing the output backlog and realizing goods delivery through the close cooperation and continuous production and overtime work of each production workshop. In order to ensure production

capacity, the company constantly improved supply chain management, developed supplier cooperation units, strengthened communication and cooperation with suppliers, and ensured that the production and processing of important products of the company were completed on time.

The company continuously optimized the production and process management processes, and further strengthened the company's complete process capacity building. The painting workshop is stationed in Jingzi Workshop to perform the functions of parts cleaning and primer application, and further improve the professional management of production process. A distribution center is set up to perform digital management of all parts, so as to realize the continuous change of intelligent factory. Through the integration of resources and process reengineering, the production efficiency has been greatly improved.

(IV) Led by culture, driven by strategy, focus on transformation by management

The company started the construction of corporate culture in an all-round way, produced "Hangzhou Turbine's Passionate Youth" by organizing a series of activities of "Corporate Culture Tour", and held the Artisan Quality Month with the theme of "Artisan Spirit", which continuously promoted the deep integration of soft power of corporate culture and hard power of corporate management, and formed a good atmosphere of "everyone respects culture and lives in culture", which enabled the broad masses of cadres and employees to deeply understand the core values of enterprises and effectively enhanced the cohesion, combat effectiveness and soft power of the company.

The company promoted the strategic planning in an orderly manner, looked forward to the future market and industry pattern by analyzing the changes of internal and external environment and combining with its own business situation, and formulated the "Fourteenth Five-Year Plan" strategic plan and preliminary strategic decomposition plan for Hangzhou Turbine in the new era.

During the reporting period, focusing on the "Top Ten Management Key Tasks", the company continuously improved its management level, paid attention to relocation and construction to ensure production capacity, focused on innovation promoted by orders, refined culture and educated talents, and prevented risks and controlled quality. It continuously strengthened and improved property rights management, further standardized the equity incentive mechanism of holding subsidiaries, and effectively motivated the management and technical backbone of subsidiaries; optimized organizational adjustment and continuously promoted process integration and lean production management; strengthened the construction of talents, and introduced high-level talents and skilled personnel evaluation mechanism. Through a series of management work, the management level is continuously improved.

During the reporting period, the company won the title of "National Excellent Quality Management Team of Machinery Industry"; and successfully passed the "Made in Zhejiang" certification audit; The company's

"Dynamic Profit Management Model of Order-based Customized Manufacturing Enterprises" project won the second prize of national enterprise management modernization innovation achievement and the first prize of Zhejiang and Hangzhou enterprise management modernization innovation achievement.

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	3,389,671,162.40	1,032,790,913.52	30.47%	-0.08%	1.49%	0.47%

4. Whether the characteristics of management seasonal or cyclical need special attention

Yes 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

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. The company will, since January 1, 2020, implement the "Accounting Standards for Business Enterprises No. 14-Revenue" revised by the Ministry of Finance (hereinafter referred to as the new revenue standards). In accordance with relevant regulations for convergence of the old and new standards, the comparable period information is not adjusted, and the cumulative impact from new standards on the first implementation date is retrospectively adjusted to the amount of retained earnings and other related items in the financial statements at the beginning of the reporting period.

The main impacts of implementing the new income standards on the financial statements of the company on January 1, 2020 are as follows:

Items	Balance sheet		
	December 31,2019	Adjustment impact of new income standards	January 1,2020
Account receivable	2,025,081,342.74	-545,043,494.83	1,480,037,847.91
Contract assets		545,043,494.83	545,043,494.83
Reeceived in advance	2,818,130,397.17	-2,818,130,397.17	
Contract liabilities		2,496,129,669.77	2,496,129,669.77
Other current liabilities		322,000,727.40	322,000,727.40

2. Since January 1, 2020, the company has implemented the *Interpretation of Accounting Standards for Business*

Enterprises No.13 promulgated by the Ministry of Finance in 2019, and this accounting policy change is handled by the future applicable law.

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

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

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

Applicable Not applicable

Reduced scope of consolidation:

Name	Equity disposal method	Equity disposal point	Net assets on disposal date	Net profit from opening to disposal date
Hangzhou Kaineng Forging Co., Ltd.	Withdraw	April 15,2020	3,223,519.61	-716.40

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

April 17, 2021