

Hangzhou Steam Turbine Power Group Co., Ltd.

Summary of 2022 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

The profit distribution proposal reviewed and approved by the boarding meeting was summarized as follows: In 2022, with the total share capital of 980,179,980 shares at the end of the year deducting 111,800 treasury shares repurchased as of date of record by Company and 531,180 shares of share capital were cancelled due to the retirement and resignation of equity incentive objects in December 2022, that is, 979,537,000 shares, the Company would distribute cash dividend to all the shareholders at the rate of CNY 3.0 for every 10 shares (with tax inclusive), 2 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		
Modified stock ID (if any)	Not applicable		
Contact person and contact manner	Board secretary	Securities affairs Representative	
Name	Li Guiwen	Li Xiaoyang	
Address	No.1188, Dongxin Road, Gongshu District, Hangzhou, Zhejiang	No.1188, Dongxin Road, Gongshu District, Hangzhou, Zhejiang	
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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.

In 2022, the Company achieved an operating income of 5,518.8419 million yuan, a total profit of 707.93.16 million yuan, and a net profit of 522.2368 million yuan, of which the net profit attributable to shareholders of the listed company was 379.9554million yuan. Compared with the same period of the previous year, the operating income decreased by 4.66% YOY, the total profit decreased by 14.97% YOY, the net profit decreased by 19.63% YOY, and the net profit attributable to shareholders of the listed company decreased by 11.25% YOY.

In the face of the decline in market demand, through the decomposition of goals layer by layer and the joint efforts of all employees, the Company has achieved a very challenging annual business target. During the reporting period, the Company further consolidated the market, steadily promoted business form transformation and resource integration, accelerated innovative development and digital transformation, and strived to promote high-quality development.

1. Consolidating the market

During the reporting period, in the face of the decline in market demand caused by the economic slowdown, the "dual carbon" policy inhibiting the launch of large-scale projects, and the shrinking market intensifying the competition situation in the industry, the Company continued to promote the key customer management system, implemented lean marketing, and strived to achieve breakthroughs. In the field of industrial drive, the Company has explored and integrated six core areas, covering seven national refining and chemical bases, further achieved strategic binding with large customers, and successively achieved ideal results in the new projects of Zhenhai Refining, Hengli New Materials, Ningbo CICC, Ningxia Baofeng and other enterprises, of which Ningxia Baofeng coal-based new material project is the first large-scale coal chemical project in China after the dual carbon policy, which has obtained a good demonstration effect for the subsequent development of the coal chemical market. BASF's Zhanjiang Refining and Chemical Integrated Steam Turbine Island Project EPC project has realized the whole process of EPC services, which is another important attempt by the Company to explore the content of engineering services, and it's of historic significance. In the field of industrial power generation, the Zhejiang Xinzhonggang subcritical reheat back pressure heating project was successfully put into operation, and the Company's advantages of forwardness of back-pressure units and its market demonstration effect continued to appear. The undertaking of Shanghai Kangheng Hanchuan waste-to-energy project marked that the Company has made new breakthroughs in the field of ultra-high-speed, double-cylinder and double-speed, shaft-discharge waste-to-energy generation, which has benchmark significance in the waste-to-energy and biomass power generation markets. In overseas markets, the feed pump sector continued its good momentum and maintained a high winning rate in bidding. In addition, the Company actively

explored the overseas driving business in the Middle East market, deeply tapped the potential of the Eastern European market, and actively participated in the competition of the new energy power generation market in Southeast Asia.

2. Business form transformation

During the reporting period, the Company continued to promote the integration of resources related to the main business of high-end manufacturing, and established a new energy company on the basis of the merger and integration of the original group engineering company. The new energy company strives to build an engineering, systematic and financial transformation platform, focuses on promoting the second phase of localization of Siemens gas turbine SGT-800 and the localization of services, and completes the signing of the third bundle contract with Siemens Energy; Negotiated the expansion of the cooperation model to the SGT-4000F class. thus to build a platform for the Company to realize engineering, systematization and financial transformation. Taking the construction of a 12MW distributed rooftop photovoltaic power station in the steam turbine manufacturing base as a demonstration project, it actively promoted the new energy brand of Hangzhou Steam Turbine, deeply explored the demand of customers in the petrochemical field for cogeneration of gas turbines and expanded the Company's influence in subdivided industries. Plus, the Company has initially built a new energy gas turbine service system based on strong technical support and effective quality management.

During the reporting period, the Company gradually promoted the cross-vergence and integration of the key customer management system and the large service framework. With the six pilot areas of the corresponding key customer management system as the goal, it built a localized service team and formed a localized service capability. It promoted the construction of the "dual framework" information system, initially completed the collection of customer information and in-service unit information in the key customer management pilot area, started the construction of the existing market customer demand system, and paved the information channels for the realization of the key customer management system and large service framework. Through organizational reshaping, the service function was extended to the front-end and to the back-end, accelerating the construction of the "two-line team" and initially forming the service management capability of the whole life cycle of the product. In the face of the characteristics of "large project, long cycle and many crossovers" in the service business, the unit service responsibility contracting system was implemented, a new performance appraisal model was created, and the awareness of active service, up-front service and responsibility was strengthened, as well as the service efficiency and service value were improved.

3. Innovative development

During the reporting period, the Company took optimizing the efficiency of backpressure generator sets, expanding the efficient utilization technology and application demonstration of low-quality energy, and promoting the utilization of low-pressure and ultra-low-pressure waste heat steam as the research and development direction; Relying on the development of key units to expand the subcritical market, it promoted the steam turbine assembly 2.0 into the stage of summary optimization and improvement. Focusing on product expansion, efficiency improvement and process optimization, we carried out high-quality and multi-faceted scientific research to

improve product economy and stability added value. 33 scientific research projects were accepted and completed. The performance indicators of the "Zhenhai Refining and Chemical 1.2 million tons/year ethylene three-unit development" project units have reached the international advanced level, and the "research and development of small and medium-sized blade robot polishing system" has laid the foundation for the Company's comprehensive promotion of polishing intelligent automation

During the reporting period, the Company promoted the development of independent gas turbines in multi parallel directions and in a coordinated manner, overcoming the requirements of high-precision measurement in production and manufacturing and breaking through multiple technical problems in manufacturing and assembly processes under the mode of research and development, testing, manufacturing and verification. Meanwhile, the Company orderly promoted the construction of project of annual output of 10 sets of gas turbine units per year.

During the reporting period, the Company effectively integrated R&D resources, coordinated internal technical strength, and reshaped the Hangzhou Steam Turbine scientific and technological innovation system with high standards. Furthermore, it actively planned the scientific and technological projects and achievement declaration, strived for external resources by multi-channel, and the "Low-quality Energy Efficient Utilization Technology and Application" won the second prize of China Machinery Industry Science and Technology Award; the "Key Technology and Application of Ultra-high-speed Industrial Turbine for Multiworking Syngas Compressor Drive" won the first prize of Zhejiang Machinery Industry Science and Technology Award.

4. Digital guide

During the reporting period, the Company continued to deepen data thinking, realized the digitalization of traditional business, and enabled the data to be the most core resource and asset of the Company. It completed a total of 249 functional developments and 9 integration testing tasks of major business scenarios in ERP projects, cooperated with the ERP system to complete the transformation of MES, the quality platform, PMIS, OA and other systems, and it completed more than 90 interface developments, and the ERP system was officially put into operation on January 6, 2023.

During the reporting period, the Company continued to promote the construction of digital factories in manufacturing bases and realized the expansion and optimization of MES system functions. It promoted the construction of financial informatization in depth, and realized the effective management of the whole life cycle of reimbursement and the integrated control of industry finance and taxation.

5. Manage promotion

During the reporting period, the Company adhered to the combination of lean concept and specific projects, and the senior executives assumed leadership in four big lean projects, created a total of 12.4 million yuan of direct economic benefits throughout the year; It actively adopted the initiative to improve the market-oriented operation ability, managed the classification of suppliers, optimized the supplier reward and punishment system, established a new model of quantitative selection of excellent suppliers, and continued to promote the

improvement of supplier self-inspection capabilities; Combined with strategic development and market changes, the Company continued to improve the effectiveness of system management, ensured the efficient operation of the five major systems and the management system standards were implemented in place.

During the reporting period, the Company promoted the capital increase and share expansion of Zhongneng Company and the equity repurchase and capital increase of Ranchuang Company, as well as supported the corporate reform that was conducive to the development of subsidiaries; It continued to promote the standardized operation of the listed company and effectively improved the Company's internal management compliance; The first phase of the human resources improvement project had achieved initial results, and the corporate culture was fully integrated with the work carriers such as party building publicity, lean production, human resources, and groups.

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 2022	End of 2021	Changed over last year (%)	End of 2020
Gross assets (Yuan)	15,374,999,610.32	16,319,667,628.76	-5.81%	16,375,832,611.51
Net assets attributable to shareholders of the listed company (Yuan)	8,328,481,114.18	7,927,485,773.65	5.05%	8,163,905,778.62
	2022	2021	Changed over last year (%)	2020
Operating revenue (Yuan)	5,518,841,939.82	5,788,288,588.91	-4.66%	4,762,315,089.10
Net profit attributable to the shareholders of the listed company (Yuan)	522,597,049.08	649,992,474.56	-19.73%	476,268,110.63
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (Yuan)	380,155,682.06	428,122,980.65	-11.15%	372,697,902.88
Cash flow generated by business operation, net (Yuan)	324,140,805.63	71,809,489.02	350.42%	628,885,775.12
Basic earning per share(Yuan/Share)	0.54	0.68	-20.59%	0.49
Diluted gains per share(Yuan/Share)	0.54	0.68	-20.59%	0.49
Net asset earning ratio (%)	6.47%	8.01%	-1.55%	6.43%

(2) Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	1,788,987,236.29	1,286,993,097.29	1,204,092,736.67	1,238,768,869.57
Net profit attributable to the shareholders of the listed company	184,043,460.08	164,296,849.93	79,920,825.31	94,335,913.76
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	138,956,828.84	131,810,741.42	62,952,498.88	46,435,612.92
Net Cash flow generated by business operation	-124,850,206.32	289,728,029.61	-80,686,363.23	239,949,345.57

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	11,261	Total shareholders at the end of the month from the date of disclosing the annual report	11,171	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 Holdings Co., Ltd.	State-owned legal person	63.64%	623,772,240	623,772,240			
China Merchants Securities(HK)Co., Ltd.	Foreign legal person	0.71%	6,966,378	0			
GUOTAIJUNAN SECURITIES (HONG KONG) LIMITED	Foreign legal person	0.67%	6,547,507	0			
Zhou Jie	Domestic Natural person	0.64%	6,302,300	0			
VANGUARDTOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.56%	5,482,009	0			
ISHARESCORE MSCI EMERGING MARKETS ETF	Foreign legal person	0.54%	5,301,262	0			
VANGUARDEMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.52%	5,096,887	0			
NORGESBANK	Foreign legal person	0.33%	3,268,888	0			
Xia Zulin	Domestic Natural person	0.32%	3,170,000	0			
Gu Yang	Domestic Natural person	0.21%	2,038,821	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 shareholders as described by the "Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs".</p>						

Notes to the shareholders involved in financing securities (if any)	Not applicable
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(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

N/A

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

March 29, 2023