

Hangzhou Steam Turbine Co., Ltd. Board of Directors Reports in 2020

The members of the Board and the Company acknowledge being responsible for the truthfulness, accuracy, and completeness of the announcement. Not any false record, misleading statement or significant omission carried in this announcement.

In 2020, in strict accordance with laws and regulations such as the Company Law, Securities Law, Stock Listing Rules of Shenzhen Stock Exchange, and Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange, as well as the Articles of Association, the Board of Directors of the company is responsible to all shareholders, diligently and effectively exercising its functions and powers, conscientiously implementing the resolutions of the shareholders' meeting, diligently carrying out all the work of the Board of Directors, and promoting the improvement of corporate governance and the development of all business operations of the company. The main work of the Board of Directors in 2020 is reported as follows:

I. Business operations of the company in 2020

During the reporting period, against the sudden global COVID-19 epidemic and the adverse impact of comprehensive relocation, the company focused on the economic work policy of "winning the relocation, intensively cultivating the market, revitalizing the enterprise by culture and striving for first class", and achieved good business performance through the joint efforts of the company's management and all employees.

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.

II. Performance of the Board of Directors according to law during the reporting period

(I) Perform work duties according to law and improve the level of scientific decision-making

(1) About Board Meetings

In 2020, a total of 7 Board meetings. According to regulations, the Board of Directors of the company deliberated to purchase convertible bonds of Hangzhou Bank, provided guarantees and daily related transactions for subsidiaries, entrusted financial management, applied for credit loans from banks, provided remuneration of directors and executives, made changes in accounting policies, revision of articles of association, and profit distribution, and re-employed accounting firms.

(2) Information about the Independent Directors' Duty Performance

Independent directors of the company attended relevant meetings in strict accordance with the Company Law, Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange, Guiding Opinions on Establishing Independent Director System in Listed Companies and other relevant laws and regulations, carefully reviewed all proposals of the Board of Directors, diligently and responsibly expressed independent opinions, and fully played the role of independent directors.

(3) Information about the Duty Performance of Special Committees

The Board of Directors set up strategy, remuneration and assessment, audit and nomination

committees. During the reporting period, the Company organized 3 special committees of the Board of Directors and annual review communication meetings. The Audit Committee played a professional role in communicating with independent directors and audit institutions and deliberating major financial matters of the Company. The Remuneration and Assessment Committee put forward a remuneration plan that was conducive to long-term incentives for directors and senior executives of the Company according to the company's remuneration assessment methods and assessment settlement.

II. Continuously improve the corporate governance system and ensure the company's compliance in operation

1. Revise the Articles of Association and further improve the Rules of Procedure of Shareholders' Meeting, Rules of Procedure of Board of Directors and Rules of Procedure of Board of Supervisors.

2. Strengthen the supervision and management of the standardized operation of holding subsidiaries, and establish a long-term working communication mechanism. According to the regulations and documents such as Administrative Measures for Holding (Participating) Companies, Administrative Measures for Expatriate Directors and Supervisors of the Company, and Notice on Regulating the Work of Board of Directors (Supervisory Committee) and Board of Shareholders of Holding Subsidiaries, the matters considered by the Board of Directors and Board of Shareholders of the holding subsidiaries shall be reviewed in advance to fully protect the rights and interests of the Company.

3. Continue to improve the construction of internal control standards of the company in combination with the actual operation of the company according to the Basic Standards for Internal Control of Enterprises, Supporting Guidelines for Internal Control Standards and Guidelines for Internal Control of Listed Companies and other relevant regulations.

(III) Strengthen the management of information disclosure and well ensure the control of insider information circulation

In 2020, the company issued a total of 73 announcements, faithfully fulfilled its information disclosure obligations, and strengthened active information disclosure. The company's information disclosure was true, accurate, complete, timely and fair, which ensured that investors acquired the major issues of the company in time and protected the interests of investors to the greatest extent.

The Board of Directors attached great importance to insider information management, formulated and effectively implemented the insider information management system, clarified the scope of insiders of insider information, and strengthened the accountability of insider information disclosure. Relevant staff strictly complied with the system requirements in the actual work process,

controlled the scope of insider information transmission, and strengthened the confidentiality of insider information.

(IV) Strengthen the management of investor relations and earnestly protect the rights and interests of investors

The company provided a convenient communication platform for investors and answered investors' questions on the "Interaction Platform" of Shenzhen Stock Exchange. It paid attention to public opinion monitoring, acquired the reports and evaluations of investors, capital markets and media on the company, and actively fed back investors' attention to the company. The company held online collective reception day activity for investors to establish a good interactive relationship with investors.

(V) Effectively implement the resolutions of the shareholders' meeting and implement a prudent dividend policy

In 2020, the Board of Directors of the company convened 2 general meetings of shareholders, and reviewed 11 proposals, mainly including major issues such as profit distribution, re-employment of accounting firms, daily related transactions, subscription of convertible bonds of Hangzhou Bank, and revision of the articles of association. The Board of Directors timely implemented the resolutions of the shareholders' meeting, and carried out all the work authorized by the shareholders' meeting.

The company's profit distribution policy maintained continuity and stability, with total dividends reaching RMB 627 million in the three years from 2018 to 2020, and an average annual cash dividend which accounted for more than 40% of the net profit. In 2020, 19,551,800 shares were repurchased with a repurchase fund of RMB 144 million. According to the Detailed Rules for the Implementation of Share Repurchase of Shenzhen Stock Exchange, the amount of the repurchased shares is regarded as cash dividends, so the total cash dividends of the company in 2020 accounted for more than 70% of the net profit.

III. Development prospect

(I) Development Strategic Planning

During the "Fourteenth Five-Year Plan" period, the company will set up a vision of "becoming a world-class industrial drive service provider", insist on high-quality development, firmly seize the opportunity of the national "double-cycle" strategic transformation, and strive to stimulate innovation potential and build a new pattern of steam turbine and gas turbine industry. Meanwhile, the company will take the construction of "big service framework" and the promotion of "big customer management" as the starting point, and complete the transformation to manufacturing service industry in an all-round way. In order to achieve the above goals, the company will focus on nine

aspects during the "Fourteenth Five-Year Plan" period:

1. Promote strategic management and enhance development momentum

Adhere to the development concept of "strategy as the key link" and define the programmatic role of strategy in the scientific development and high-quality development of enterprises. Promote strategic management, define the development direction, improve strategic strength, and enhance leading ability. Through the reform of system and mechanism, stimulate the endogenous motivation of enterprises and enhance the development momentum.

2. Strengthen organizational management and improve governance ability

Optimize organizational structure, strengthen assessment and evaluation, and further enhance organizational strength. Build a digital, flat and efficient management platform, improve the integration, lean and institutionalized level of organization and management, improve the corporate governance system and enhance the corporate governance capacity.

3. Strengthen operation management and improve operation quality

Reduce operating costs and improve operating quality through measures such as digital construction, intelligent manufacturing promotion, supply chain management optimization, lean production deepening, and quality system construction improvement.

4. Deepen technological innovation and enhance value creation

Adhere to the policy of "high efficiency, intelligence, integration and light weight", and continue to promote the technological research and development, iterative upgrading and innovation capacity building of engineering application of products. Provide strong technical guarantee and support for realizing intelligent manufacturing, accelerating business transformation, consolidating market position and opening up market areas.

5. Strengthen the management of materials and ensure the appreciation of assets

Actively promote the integration of financial business and improve the energy efficiency of financial management. Promote comprehensive budget management, enhance the refinement of cost management, promote the integration of industry and finance, and realize the preservation and appreciation of assets.

6. Strengthen risk management and control to ensure business safety

Actively respond to the increase of external risks, improve the construction of enterprise risk control system, adhere to the combination of "prevention" and "control", and improve the awareness,

ability and quality of enterprise risk prevention and control. Focus on the establishment of response measures and tracking the effectiveness of measures, effectively prevent systemic risks, and enhance the risk control ability of enterprises.

7. Implement the talent project and improve the employment mechanism

Advocate the idea of developing enterprises with talents, implement the talent strategy, advocate the development of enterprises with talents, focus on promoting the implementation of talent projects, strengthen the construction of talent teams, and create an integrated talent system of "career navigation, skill training, talent evaluation, promotion incentive and value realization".

8. Accelerate information engineering and improve management energy efficiency

Deepen the informatization and intelligent construction of enterprises, and use digital means to improve the informatization level, accuracy and efficiency of enterprise management, improve the quality of enterprise management, and promote the improvement of enterprise management ability and efficiency.

9. Promote cultural construction and enhance brand operation

Strengthen cultural guidance and provide strong cultural guarantee for creating first-class enterprises. Enhance the creation and promotion of enterprise brand with culture, and carry out brand planning and operation.

(II) Business plan of 2021

2021 is the first year of the company's "Fourteenth Five-Year Plan", the first year that Hangzhou Turbine Manufacturing Base is fully put into operation, and the first year for the company to start high-quality development. In the new year, the company will face many challenges in deepening reform, innovation driving, expanding market share, efficient operation of manufacturing base and ensuring market supply. In 2021, the company put forward the annual work policy of "digital empowerment, transformation and upgrading, strengthening enterprises by talents and high quality development".

1. Digital empowerment

With the commissioning and capacity recovery of Hangzhou Turbine Manufacturing Base as an opportunity, improve the operation of PLM, MES and other systems. Continue to promote the construction of WMS system, Internet of Things and other information projects, and accelerate the construction of "Hangzhou Turbine" intelligent manufacturing system.

Start ERP construction, optimize supply chain resource management, and promote the selection and implementation of ERP system which is suitable for Hangzhou Turbine's manufacturing mode with the guidance of lean production and total quality management.

Further improve the quality information platform and improve the coverage and depth of product quality data control. Pay attention to the collection and management of unit life cycle service data, and realize the continuous improvement of product quality driven by service data.

2. Transformation and upgrading

Build an integrated model of engineering, sales and service in an all-round way, and create a "big service" format. Explore customer service demand, integrate service resources, extend service stock market, promote service standardization and serialization construction, and accelerate manufacturing service transformation.

Accelerate the integration of steam turbine marketing resources and deepen the linkage between driving plate and power generation plate. Actively develop overseas business, seek external resources to achieve its own purposes, and steadily push forward the localization strategy. Strengthen the mutual promotion of steam turbine plate and gas turbine plate, and find a new business model for gas turbine sales. Promote the key account management system and deepen the concept of "customer engineering integration".

Continuously improve the workshop layout of the manufacturing base, optimize the processing technology, explore the new mode of improving the storage efficiency with the intelligent three-dimensional library as the center, and gradually improve the production capacity and efficiency. Comprehensively promote the implementation of the overall plan of lean production, improve the standard of lean field management, establish the evaluation standard of lean production, and build the lean system of Hangzhou Turbine. Build the manufacturing base into a modern intelligent factory that meets the requirements of lean production.

Establish a procurement integration process, strengthen the training of strategic suppliers, and create a supply chain with value convergence, benefit sharing and risk sharing.

3. Strengthening enterprises by talents

Implement the strategy of strengthening enterprises by talents, formulate medium and long-term plans for the construction of talent teams, and speed up the construction of a multi-level, multi-channel and high-quality human resources management system.

Analyze the talent development needs, investigate the talent management experience of benchmark enterprises, sort out the company's talent selection system, and formulate and improve the relevant policies for talent development in the new period and carry out implementation.

Improve the incentive mechanism of salary distribution, improve the secondary salary distribution mechanism, and promote the optimization of salary system.

4. High quality development

According to the outline of the company's "Fourteenth Five-Year Plan", formulate detailed rules for the implementation of strategic planning, organize relevant departments to break down strategic measures, formulate implementation plans, form implementation manuals, study and formulate strategic implementation evaluation plans and evaluation manuals, and effectively play a strategic guiding role.

Deepen technological innovation and strengthen the supporting role of technology in the whole business process. Accelerate the research and development of high-end drive and large-scale devices such as supercritical carbon dioxide turbine, 1.5-2 million tons/year ethylene plant, 120,000-160,000 Nm³/h air separation plant, etc., explore the technical research depth, and improve the cycle efficiency of steam turbine power generation.

Strengthen risk management and control, and identify, analyze and control risk points in various fields. Continuously improve the business contract review mode, establish and improve the market significant profit risk assessment mechanism, and strengthen the management of project profitability. Improve the investment management and control system, standardize investment decision-making procedures and investment processes, and improve the enterprise investment management system.

Carry out budget management and improve the ability and level of financial management through strategic comprehensive budget. Strengthen cost control. On the basis of comprehensive budget, strengthen the control of manufacturing cost, project cost, procurement cost and management cost, and improve the integration of finance and business. Strengthen the control of accounts receivable and inventory, and improve the efficiency of capital turnover.

Improve the performance appraisal system, optimize the scheme of economic responsibility system, strengthen the function appraisal and supervision over the implementation of system documents, and ensure the operation of the Company. Further improve the level of corporate

governance and establish good investor relations. Through scientific management and control, system construction, improve the standard operation ability of holding subsidiaries.

In the new year, the company will continue to enhance its comprehensive competitiveness, formulate the development strategy outline of the "Fourteenth Five-Year Plan", fully combine the overall market environment and the company's strategic development goals to formulate corresponding work ideas and major work plans, firmly grasp the opportunities of industrial development, ensure the smooth progress of all work, and promote the healthy and sustainable development of the company.

It will actively play the core role of the Board of Directors in corporate governance, continuously improve the corporate governance structure and risk prevention mechanism, continue to improve the company's standardized operation and governance level, further improve the company's relevant rules and regulations, continuously optimize the corporate governance structure, and strengthen the construction of internal control system to ensure the healthy, stable and sustainable development of the company. Meanwhile, it will strengthen the study and training on all board members' ability to perform their duties, improve the scientific and efficient decision-making of the company, and ensure the healthy, stable and sustainable development of the company.

The Board of Directors of the company will continue to fulfill its information disclosure obligations in strict accordance with the Company Law, Securities Law, Stock Listing Rules of Shenzhen Stock Exchange, Guidelines for Standardized Operation of Listed Companies of Shenzhen Stock Exchange and the Articles of Association, and effectively improve the standard operation level of the company.

It will constantly strengthen the construction of investor relations management, promote the company to maintain a good interactive relationship with investors, earnestly protect the investors' participation rights, protect investors' legitimate rights and interests, improve corporate governance, build market consensus, and establish a good image of the capital market.

The Board of Directors of the company will continue to work honestly, diligently, actively and solidly, maintain its determination, focus on its core business, and promote the high-quality development of the enterprise, so as to safeguard shareholders' interests, enhance investors' confidence and provide a strong guarantee for the sustainable and healthy development of the company!

Hangzhou Steam Turbine Co., Ltd.

April 17,2021