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Hangzhou Steam Turbine Co., Ltd.
2021 Restricted Stock Incentive Plan (Draft)

Hangzhou Steam Turbine Co., Ltd.

July 2021

Statement

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.

Special Tips

I. This incentive plan is formulated in accordance with the *Company Law of the People's Republic of China*, *Securities Law of the People's Republic of China*, *Administrative Measures on Equity Incentive of Listed Companies*, *Order No. 148 of China Securities Regulatory Commission*, *Trial Measures for Implementation of Equity Incentive of State-controlled Listed Companies (Domestic)* (GZFFP [2006] No.175), *Notice on Standardizing the Implementation of Equity Incentive System in State-controlled Listed Companies* (GZFFP [2008] No.171), *Articles of Association* of Hangzhou Steam Turbine Co., Ltd. (hereinafter referred to as "Hangzhou Turbine" or "the Company" and "Company") and other relevant laws, regulations and normative documents.

II. The company does not have any of the following situations that may not be implemented as stipulated in Article 7 of the *Administrative Measures on Equity Incentive of Listed Companies*:

1. The certified public accountants have issued an audit report with negative opinions or that cannot express opinions for the financial and accounting reports in the latest fiscal year;
2. The certified public accountants have issued an audit report with negative opinions or that cannot express opinions for the internal control of financial reports in the latest fiscal year;
3. In the last 36 months after listing, there have been cases where profits have not been distributed according to laws and regulations, the *Articles of Association* and public commitments;
4. Where the provisions of laws and regulations stipulates not to implement equity incentives;
5. Other circumstances identified by the CSRC.

III. The incentive object of this incentive plan does not have the following circumstances that cannot allowed as stipulated in Article 8 of the *Administrative Measures for Equity Incentive of Listed Companies*:

1. He has been identified as an inappropriate candidate by the stock exchange in the last 12 months;

2. He has been identified as an inappropriate candidate by the CSRC and its dispatched offices in the last 12 months;

3. In the last 12 months, he has been subject to the administrative penalties imposed by CSRC and its dispatched offices or market ban measures due to major violations of laws and regulations;

4. He is not allowed to serve as a director or senior manager of the company as stipulated in the *Company Law*;

5. Where the laws and regulations stipulate that he is not allowed to participate in the equity incentives of listed companies;

6. Other circumstances identified by the CSRC.

IV.The incentive tool adopted in this incentive plan is restricted stock. The restricted stock is the company stock repurchased in the special securities account for repurchase by the company.

V.The number of restricted stocks to be granted in this incentive plan is 19,551,800, accounting for 2.59% of the total share capital for 754,010,400 shares of the company at the time of announcement of this incentive plan. Where, 18.17 million are granted for the first time, accounting for 2.41% of the company's total share capital; 1,381,800 are reserved, accounting for 0.18% of the company's total share capital of 754,010,400, and the reserved portion accounts for 7.07% of the total equity granted this time. The number of restricted shares granted to any incentive object in the incentive plan does not exceed 1% of the total share capital of the company before the incentive plan is submitted to the shareholders' meeting for deliberation.

VI. The grant price of restricted stocks (including reserved stocks) in this incentive plan is HK\$ 6.825 per share.

VII.The incentive objects of this incentive plan shall not exceed 500 people, including:

1.The Company's directors (excluding independent directors and external directors) and

senior management personnel;

2. Other members of the leadership team;

3. Middle management of the Company;

4. Core personnel of the Company.

The incentive objects of this incentive plan do not include independent directors, external directors, supervisors, shareholders or actual controllers who individually or collectively hold more than 5% of the Company's shares, and their spouses, parents and children. Among the above incentive objects, directors and senior management personnel must be elected by the General Meeting of Shareholders or appointed by the Board of Directors of the Company. All incentive objects must have labor or employment relationship with the Company or holding subsidiaries at the time of award of this incentive plan and during the assessment period.

VIII. The validity period of this incentive plan shall be from the date when the registration of granting restricted stock is completed to the date when all restricted stocks granted to the incentive object are released or repurchased, which shall be no more than 60 months.

IX. The restricted stock granted by this incentive plan will be unlocked in three batches within 24 months to 60 months after the grant is completed. The sales restriction release period of restricted stocks and the release schedule of each period are shown in the following table:

Release arrangement of sales restriction	Release time of sales restriction	Proportion of the number of sales restriction that can be lifted to the number of authorized benefits
The first sales restriction release period	From the first trading day 24 months after the completion of the grant registration to the last trading day within 36 months after the completion of the grant registration	33%

The second sales restriction release period	From the first trading day 36 months after the completion of the grant registration to the last trading day within 48 months after the completion of the grant registration	33%
The third sales restriction release period	From the first trading day 48 months after the completion of the grant registration to the last trading day within 60 months after the completion of the grant registration	34%

X.The assessment year for lifting the sales restriction of this incentive plan is three fiscal years from 2021 to 2023, with one assessment in each fiscal year. The performance assessment of lifting the restricted stock granted by this plan is shown in the following table:

Sale restriction period	Performance assessment conditions
The first sales restriction release period	Based on the average performance from 2018 to 2020, the growth rate of net profit attributable to ordinary shareholders of the company in 2021 is not lower than [12.0%], which is not lower than the average level of the same industry; The return on net assets in 2021 is not lower than [8.0%], which is not lower than the average level of the same industry; In 2021, the profit of main business accounts for no less than [73%] of the total profit.
The second sales restriction release period	Based on the average performance from 2018 to 2020, the growth rate of net profit attributable to ordinary shareholders of the company in 2022 is not lower than [16.0%], which is not lower than the average level of the same industry; The return on net assets in 2022 is not lower than [8.0%], which is not lower than the average level of the same industry; In 2022, the profit of main business accounts for no less than [73%] of the total profit.
The third sales restriction release period	Based on the average performance from 2018 to 2020, the growth rate of net profit attributable to ordinary shareholders of the company in 2023 is not lower than [20.0%], which is not lower than the average level of the same industry; The return on net assets in 2023 is not lower than [8.0%], which is not lower than the average level of the same industry In 2023, the profit of main business accounts for no less than [73%] of the total profit.

Note: ① The impact of other comprehensive income-changes in fair value of investment in other equity instruments on changes in net assets is not considered when calculating the return on net assets.
② When calculating the growth rate of net profit, the net profit attributable to the parent company of listed company after excluding the influence of share-based payment expenses of this plan is the accounting standard. ③ Main business profit = total profit - investment income. ④ The specific accounting standard of performance indicators shall be determined by the Board of Directors

by the General Meeting of Shareholders. ⑤ Within the validity period of the equity incentive plan, if net assets change due to additional issuance, share allotment, merger and acquisition, etc., Where assessing the return on net assets index for the year, changes in net assets and net profit changes caused by this event are excluded. ⑥ The Company is of the "General Equipment Manufacturing Industry" under the "Manufacturing Industry" category of CSRC, and its peer enterprises in the same industry are all domestic A-share and B-share listed companies under the "General Equipment Manufacturing Industry" category of CSRC.

XI.The funds for the incentive objects to subscribe for restricted stocks shall be raised by individuals themselves. The Company promises not to provide loans, loan guarantees or any other form of financial assistance for the incentive objects to obtain restricted stocks according to this plan.

XII.The incentive object promises that if the company does not meet the arrangement of granting rights or exercising rights due to false records, misleading statements or major omissions in the information disclosure documents, the incentive object shall return all the benefits obtained from the equity incentive plan to the company after the relevant information disclosure documents are confirmed to include false records, misleading statements or major omissions.

XIII. This incentive plan must be approved by the competent authority of state-owned assets or the authorized subject, and can only be implemented after being reviewed and approved by the General Meeting of Shareholders.

XIV.Within 60 days from the date when the incentive plan is reviewed and approved by the General Meeting of Shareholders of the Company and the granting conditions are achieved, the Company will convene the Board of Directors to grant the incentive objects according to relevant regulations, and complete relevant procedures such as registration and announcement. If the Company fails to complete the above work within 60 days, the implementation of this incentive plan will be terminated, and the ungranted restricted shares will become invalid.

XV.The implementation of this incentive plan will not result in the distribution of shares not

meeting the listing requirements.

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Chapter I Interpretation

Unless otherwise specified, the following words have the following meanings

herein:

Hangzhou Turbine, the Company, company	Refers to	Hangzhou Steam Turbine Co., Ltd.
This incentive plan, this plan	Refers to	Restricted Stock Incentive Plan of Hangzhou Steam Turbine Co., Ltd. in 2021
Restricted stocks	Refers to	According to the conditions and prices stipulated in this incentive plan, the Company grants a certain number of company stocks to the incentive object, and these stocks have a certain period of restricted sales. Only when the conditions for lifting the restricted sales stipulated in this incentive plan are met can the restricted sales and circulation be lifted
Incentive object	Refers to	Employees who are eligible to be granted a certain number of restricted stock according to the provisions of this incentive plan
Grant date	Refers to	The date on which the company grants restricted stock to the incentive object must be the trading day
Grant price	Refers to	The price of each restricted stock granted by the company to the incentive object
Term of validity	Refers to	The period from the date when the registration of restricted stock is completed to the date when all restricted stock granted to the incentive object are released or repurchased
Sale restriction period	Refers to	The period when the conditions for the incentive object to exercise its rights and interests have not been fulfilled, and the restricted stock may not be transferred, used for guarantee or debt repayment.
Sales restriction release period	Refers to	The period during which the restricted stocks held by the incentive object can be released and listed for circulation after the conditions for releasing the sales restriction stipulated in this incentive plan are achieved
Condition of sales restriction release	Refers to	The conditions that must be met for the restricted stocks obtained by the incentive object to be released from the sales restriction according to this incentive plan
Company Law	Refers to	Company Law of the People's Republic of China

Securities Law	Refers to	Securities Law of the People's Republic of China
<i>Trial Measures</i>	Refers to	Trial Measures for the Implementation of Equity Incentive by State-controlled Listed Companies (Domestic)
<i>Notice</i>	Refers to	<i>Notice on Standardizing the Implementation of Equity Incentive System in State-controlled Listed Companies</i> (GZFFP [2008] No.171)
<i>Administrative Measures</i>	Refers to	<i>Administrative Measures on Equity Incentive of Listed Companies</i>
<i>Articles of Association</i>	Refers to	<i>Articles of Association of Hangzhou Steam Turbine Co., Ltd</i>
CSRC	Refers to	China Securities Regulatory Commission
Stock Exchange	Refers to	Shenzhen Stock Exchange
Securities Depository and Clearing Company	Refers to	Shenzhen Branch of China Securities Depository and Clearing Co., Ltd
Yuan	Refers to	RMB

Note: 1. The financial data and financial indicators quoted in this draft refer to the financial data of consolidated statements and financial indicators calculated according to such financial data unless otherwise specified;

2. Any difference in mantissa between the subtotal and the sum of the split count in the draft is due to rounding.

Chapter II Purpose and Principle of Restricted Stock Incentive Plan

In order to further establish and improve the company's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the Company's directors (excluding independent directors and external directors), senior management personnel, other members of the leadership team, the Company's middle management and the Company's core personnel, effectively combine the interests of shareholders, the company's interests and the personal interests of the core team, and make all parties pay attention to the long-term development of the company and strive for it, based on full protection of shareholders' interests, this equity incentive plan is formulated in accordance with the *Company Law*, *Securities Law*, *Trial Measures*, *Notice*, *Administrative Measures* and other laws, regulations and normative documents, as well as the relevant provisions of the *Articles of Association*, and in combination with the Company's existing management systems such as salary system and performance assessment system, this equity incentive plan is formulated.

This incentive plan adheres to the following principles:

(I) Adhere to legal norms, be open and transparent, and follow laws and regulations and the Articles of Association;

(II) Persist in safeguarding the interests of shareholders and the Company, promote the preservation and appreciation of state-owned assets, and be conducive to the sustainable development of the Company;

(III) Adhere to the combination of incentives and constraints, with symmetrical risks and benefits, and moderately strengthen the incentives for the Company's management;

(IV) Adhere to the reality, standardize the start, step by step, and constantly improve.

Chapter III Management Organization of this Incentive Plan

I. As the highest authority of the Company, the General Meeting of Shareholders is responsible for reviewing and approving the implementation, alteration and termination of this incentive plan.

II. The Board of Directors is the executive management organization of this incentive plan, and has a Remuneration and assessment Committee, which is responsible for drafting and revising the incentive plan and submitting it to the Board of Directors for deliberation. After the Board of Directors approves the incentive plan, it will be submitted to the competent department for examination and approval and the General Meeting of Shareholders for deliberation. The Board of Directors may handle the relevant matters of this incentive plan within the scope authorized by the General Meeting of Shareholders.

III. The Board of Supervisors is the supervisory body of this incentive plan, which is responsible for reviewing the list of incentive objects and supervising whether the implementation of this incentive plan complies with relevant laws, administrative regulations, departmental rules and business rules of stock exchanges.

IV. Independent directors shall express their independent opinions on whether this incentive plan is conducive to the sustainable development of the Company and whether there is any obvious damage to the interests of the Company and its all shareholders, and solicit the voting rights of all shareholders for this incentive plan.

V. If the Company changes the equity incentive plan before the General Meeting of Shareholders considers and approves it, the independent directors and the board of supervisors shall express their independent opinions on whether the changed plan is conducive to the sustainable development of the Company and whether there is any obvious damage to the interests of the Company and its all shareholders.

VI. Before the Company grants rights and interests to the incentive object, the independent directors and the board of supervisors shall express their clear opinions on whether the conditions set by this incentive plan for the incentive object to be granted rights and interests are met. If there

is a difference between the Company's granting of rights and interests to the incentive object and the incentive plan arrangement, the independent directors and the board of supervisors (when the incentive object changes) shall simultaneously express their clear opinions.

VII. Before the incentive objects exercise their rights and interests, the independent directors and the board of supervisors shall express their clear opinions on whether the conditions for the incentive objects to exercise their rights and interests set by the equity incentive plan are met.

Chapter IV Determination Basis and Scope of Incentive Object

I. Basis for determining incentive objects

(I) Legal basis for determining incentive objects

The incentive objects of this incentive plan are determined according to the *Company Law*, *Securities Law*, *Administrative Measures*, *Trial Measures*, *Notice*, other relevant laws, regulations, normative documents and the *Articles of Association*, in combination with the actual situation of the Company.

(II) Position basis for determining incentive objects

The incentive objects of this incentive plan include company directors (excluding independent directors and external directors), senior management personnel, other leadership members, company middle management and company core personnel.

II. Scope of incentive object

The incentive objects involved in this incentive plan specifically include:

1. The Company's directors (excluding independent directors and external directors) and senior management personnel;
2. Other members of the leadership team;
3. Middle management of the Company;
4. Core personnel of the Company.

The incentive objects of this incentive plan do not include independent directors, external directors, supervisors, shareholders or actual controllers who individually or collectively hold more than 5% of the Company's shares, and their spouses, parents and children. Among the above incentive objects, directors and senior management personnel must be elected by the General Meeting of Shareholders or appointed by the Board of Directors of the Company. All incentive objects must have labor or employment relationship with the Company or holding subsidiaries at the time of award of this incentive plan and during the assessment period.

III. Verification of incentive objects

1. After the incentive plan is reviewed and approved by the Board of Directors, and before the Company holds the General Meeting of Shareholders, the Company will publicize the names and positions of the incentive objects internally, and the publicity period shall not be less than 10 days.

2. The Company shall conduct a self-inspection on the trading of the Company's stock and its derivatives by insiders of inside information within 6 months before the announcement of the draft plan, and explain whether there is any insider trading behavior. Anyone who knows inside information and buys or sells company stocks shall not be an incentive object, except those cases that are not considered as inside trading according to laws, administrative regulations and relevant judicial interpretations. Insider trading caused by disclosure of insider information shall not be the incentive object.

3. The Board of Supervisors of the Company will review the list of incentive objects, fully listen to the public opinions, and disclose the explanation of the review and publicity of the list of incentive objects by the Board of Supervisors 5 days before the General Meeting of Shareholders of the Company deliberates this incentive plan. The list of incentive objects adjusted by the Board of Directors of the Company shall also be verified by the board of supervisors of the Company.

Chapter V Source, Quantity and Distribution of Restricted Stocks

I. Source of underlying stocks

The underlying stock is the company stock repurchased in the special securities account for repurchase by the company.

II. Number of underlying stocks

This plan proposes to grant 19,551,800 B-type restricted stocks, accounting for about 2.59% of the Company's total share capital of 754,010,400 shares. Where, 18.17 million are granted for the first time, accounting for 2.41% of the company's total share capital; 1,381,800 are reserved, accounting for 0.18% of the company's total share capital of 754,010,400, and the reserved portion accounts for 7.07% of the total equity granted this time.

During the period from the announcement date of this incentive plan to the completion of the registration of restricted stocks by the incentive object, if the Company has any issues such as transferring capital reserve into share capital, distributing stock dividends, splitting or reducing shares, and allotment of shares, the number of restricted stocks granted will be adjusted accordingly according to Chapter IX of this incentive plan.

III. Restricted stock distribution granted to incentive objects

The distribution of restricted stocks granted by this incentive plan among the incentive objects is shown in the following table:

Name	Position	Number of restricted stocks ('0,000 shares)	Proportion of total grants	Proportion of share capital of the Company before grant
Zheng Bin	Chairman of the Board	25	1.28%	0.03%
Ye Zhong	Director and General Manager	25	1.28%	0.03%
Yang Yongming	Vice Chairman	20	1.02%	0.03%
Wang Gang	Director and Deputy General Manager	20	1.02%	0.03%
Li Guiwen	Secretary of the Board of Directors and Deputy General Manager	20	1.02%	0.03%
Kong Jianqiang	Deputy General Manager and Chief Engineer	20	1.02%	0.0%

Li Jiansheng	Deputy General Manager	20	1.02%	0.03%
Wang Zhengrong	Deputy General Manager	20	1.02%	0.03%
Zhao Jiamao	Deputy General Manager and Chief Accountant	20	1.02%	0.03%
Cai Weijun	Secretary of Committee for Discipline Inspection	20	1.02%	0.03%
Middle management, 95		903	46.19%	1.20%
Core personnel, 352		704	36.01%	0.93%
Reserved		138.18	7.07%	0.18%
Total		1,955.18	100.00%	2.59%

Note: 1. The incentive objects of this incentive plan do not include independent directors, external directors, supervisors, shareholders or actual controllers who individually or collectively hold more than 5% of the Company's shares, and their spouses, parents and children;

2. The number of restricted shares granted to any incentive object in the incentive plan does not exceed 1% of the total share capital of the company before the plan is submitted to the shareholders' meeting for deliberation.

Chapter VI Time Arrangement of this Incentive Plan

I. Validity period of this incentive plan

The validity period of this incentive plan shall be from the date when the registration of granting restricted stock is completed to the date when all restricted stocks granted to the incentive object are released or repurchased, which shall be no more than 60 months.

II. Grant date of this incentive plan

The grant date shall be determined by the Board of Directors after the incentive plan is reviewed and approved by the General Meeting of Shareholders of the Company, and the grant date must be a trading day. Within 60 days from the date when this plan is reviewed and approved by the General Meeting of Shareholders of the Company and the granting conditions are achieved, the Company will convene the Board of Directors to grant the incentive objects of this incentive plan according to relevant regulations, and complete relevant procedures such as registration and announcement. If the Company fails to complete the above work within 60 days, the implementation of this plan will be terminated, and the ungranted restricted shares will become invalid.

The Company shall not grant restricted stocks to the incentive objects during the following periods:

1. Within 30 days before the announcement of the Company's periodic report, if the announcement date of the periodic report is postponed due to special reasons, it shall be counted from 30 days before the announcement date of the original appointment to 1 day before the announcement date;

2. Within 10 days before the announcement of the Company's performance forecast and performance express;

3. From the date of major events that may have a great impact on the trading price of the Company's stock and its derivatives or the date of entering the decision-making process, to 2 trading days after disclosure according to law;

4. Other period stipulated by the CSRC and Shenzhen Stock Exchange.

The period during which the above-mentioned companies may not grant restricted shares is not included in the 60-day period.

If the directors and senior managers of the Company, as the incentive objects, have reduced their holdings within 6 months before the granting of restricted stocks, the granting of restricted stocks will be postponed for 6 months from the date of the last underweight transaction in accordance with the provisions of the *Securities Law*.

III. The restricted period of this incentive plan

The sales restriction period of restricted stocks granted by this incentive plan is 24 months, 36 months and 48 months from the date of registration of the granted restricted stocks. During the sales restriction period, the restricted stocks granted to the incentive object according to this incentive plan shall be restricted for sale, and shall not be transferred, used to guarantee or repay debts. Shares such as capital reserve converted into share capital, distribution of stock dividends, and share splitting obtained by the incentive object due to the granted restricted stocks that have not been released from the sales restriction are locked according to this incentive plan. If the Company repurchases restricted stocks that have not been lifted for sales restriction, these stocks will be repurchased together.

IV. Sales restriction release period of this incentive plan

After 24 months from the date of registration of restricted stocks granted by this incentive plan, the incentive object will be lifted on sales restriction in three phases in the next 36 months. The sales restriction release period of restricted stocks and the release schedule of each period are shown in the following table:

Release arrangement of sales restriction	Release time of sales restriction	Proportion of the number of sales restriction that can be lifted to the number of authorized benefits
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First Sales restriction release period	From the first trading day 24 months after the completion of the grant registration to the last trading day within 36 months after the completion of the grant registration	33%
Second Sales restriction release period	From the first trading day 36 months after the completion of the grant registration to the last trading day within 48 months after the completion of the grant registration	33%
Third Sales restriction release period	From the first trading day 48 months after the completion of the grant registration to the last trading day within 60 months after the completion of the grant registration	34%

Restricted stocks that are not allowed to be released on sales restriction during the sales restriction release period of the incentive object shall not be deferred to the later year for release, and such restricted stocks shall be repurchased by the Company according to the granted price.

V. Prohibition of sales in this incentive plan

The sales prohibition of the restricted stock incentive plan shall be implemented in accordance with the *Company Law*, *Securities Law* and other relevant laws, regulations, normative documents and the *Articles of Association*, including but not limited to:

(I) If the incentive objects are the directors , senior management and Other members of the leadership team of the Company, the shares transferred each year during their tenure shall not exceed 25% of the total shares of the Company held by them; Within six months after their resignation, the company's shares held by them shall not be transferred.

(II) In addition to meeting the above conditions for lifting the sales restriction, the incentive objects who serve as directors and senior management shall extend the sales restriction period for 20% of the total number of restricted stocks until the expiration of their term of office (the term of office is the term of office for the last release of the sales restriction date), and lift the sales restriction according to the results of term assessment or economic responsibility audit. Whether the incentive objects are directors or senior management shall be determined according to the position of the incentive object in the year when the restricted stock of this incentive plan is granted.

(III) If the incentive objects are directors and senior management of the Company, they will sell their shares of the Company within 6 months after buying, or buy them again within 6 months after selling, and the proceeds there from will be owned by the Company, and recovered by the Board of Directors of the Company.

(IV) During the validity period of this incentive plan, if the *Company Law, Securities Law* and other relevant laws and regulations, normative documents and the *Articles of Association* change their relevant provisions on the transfer of shares held by Company's directors and senior management, the transfer of shares held by such incentive objects shall comply with the revised *Company Law, Securities Law* and other relevant laws and regulations, normative documents and the *Articles of Association*.

If the incentive object is a member of the leadership team other than the company's directors and senior managers, the prohibition selling stipulation on the restricted stocks granted to them shall be implemented in accordance with the prohibition selling stipulation on directors and senior managers of this restricted stock incentive plan.

Chapter VII Grant Price of Restricted Stock and Its Determination Method

I. Grant price of restricted stock

The grant price of the restricted stocks is HK\$ 6.825 per share, that is, after the granting conditions are met, the incentive object can purchase the restricted stocks granted to them from the company at a price of HK\$ 6.825 per share.

During the period from the announcement date of this incentive plan to the completion of the registration of restricted stocks by the incentive object, if the Company has any issues such as transferring capital reserve into share capital, distributing stock dividends, splitting or reducing shares, allotment of shares, and dividend distribution, the price of restricted stocks granted will be adjusted accordingly according to Chapter IX of this incentive plan.

II. Method for determining grant price of restricted stock

The pricing base date of the grant price of restricted stocks (including reserved grants) granted by this incentive plan is the announcement date of this incentive plan. The grant price shall not be less than 50% of the higher of the following prices:

1. The average trading price of the Company's underlying stock in the 1st trading day before the announced by this incentive plan (total trading volume of the 1st trading day/total trading volume of the 1st trading day).

2. One of the following prices:

(1) The average trading price of the Company's underlying stocks in the first 20 trading days announced by this incentive plan (total trading amount of stocks in the first 20 trading days/total trading amount of stocks in the first 20 trading days).

(2) The average trading price of the Company's underlying stocks in the first 60 trading days announced by this incentive plan (total trading amount of stocks in the first 60 trading days/total trading amount of stocks in the first 60 trading days).

(3) The average trading price of the Company's underlying stocks in the first 120 trading days announced by this incentive plan (total trading amount of stocks in the first 120 trading days/total trading amount of stocks in the first 120 trading days).

trading amount of stocks in the first 120 trading days).

Chapter VIII Conditions for Granting and Releasing Restricted Stocks

I. Conditions for granting restricted stock

The Company must meet the following conditions at the same time before granting restricted stocks to the incentive object according to this incentive plan.

(I) None of the following situations occurred in the Company:

1. The certified public accountants have issued an audit report with negative opinions or that cannot express opinions for the financial and accounting reports in the latest fiscal year;
2. The certified public accountants have issued an audit report with negative opinions or that cannot express opinions for the internal control of financial reports in the latest fiscal year;
3. In the 36 months after listing, there have been cases where profits have not been distributed according to laws and regulations, the Articles of Association and public commitments;
4. Where the provisions of laws and regulations stipulates not to implement equity incentives;
5. Other circumstances identified by the CSRC.

(II) None of the following situations occurred in the incentive objects:

1. He has been identified as an inappropriate candidate by the stock exchange in the last 12 months;
2. He has been identified as an inappropriate candidate by the CSRC and its dispatched offices in the last 12 months;
3. In the last 12 months, he has been subject to the administrative penalties imposed by CSRC and its dispatched offices or market ban measures due to major violations of laws and regulations;
4. He is not allowed to serve as a director or senior manager of the company as stipulated in the Company Law;
5. Where the laws and regulations stipulate that he is not allowed to participate in the equity incentives of listed companies;

6. Other circumstances identified by the CSRC.

(III) The Company's performance evaluation conditions are up to standard, that is, the following conditions are met:

1. Based on 2019, the Company's net profit growth rate attributable to shareholders of listed companies in 2020 is not less than 10%, and is not lower than the industry average;

2. The return on net assets in 2020 is not lower than [7.0%], which is not lower than the average level of the same industry;

3. In 2020, the profit of main business accounts for no less than [70%] of the total profit.

Note: ① The impact of other comprehensive income-changes in fair value of investment in other equity instruments on changes in net assets is not considered when calculating the return on net assets. ② When calculating the growth rate of net profit, the net profit attributable to the parent company of the listed company after excluding the influence of share-based payment expenses of this plan is the accounting standard. ③ Main business profit = total profit - investment income. ④ The specific accounting standard of performance indicators shall be determined by the Board of Directors authorized by the General Meeting of Shareholders. ⑤ The Company is of the "General Equipment Manufacturing Industry" under the "Manufacturing Industry" category of CSRC, and its peer enterprises in the same industry are all domestic A-share and B-share listed companies under the "General Equipment Manufacturing Industry" category of CSRC.

II. Conditions for releasing sales restrictions of restricted stocks

The Company must meet the following conditions before releasing the restricted stocks granted according to this incentive plan:

(I) None of the following situations occurred in the Company:

1. The certified public accountants have issued an audit report with negative opinions or that cannot express opinions for the financial and accounting reports in the latest fiscal year;

2. The certified public accountants have issued an audit report with negative opinions or that cannot express opinions for the internal control of financial reports in the latest fiscal year;

3. In the late 36 months after listing, there have been cases where profits have not been

distributed according to laws and regulations, the *Articles of Association* and public commitments;

4. Where the provisions of laws and regulations stipulates not to implement equity incentives;
5. Other circumstances identified by the CSRC.

(II) None of the following situations occurred in the incentive objects:

1. He has been identified as an inappropriate candidate by the stock exchange in the last 12 months;

2. He has been identified as an inappropriate candidate by the CSRC and its dispatched offices in the last 12 months;

3. In the last 12 months, he has been subject to the administrative penalties imposed by CSRC and its dispatched offices or market ban measures due to major violations of laws and regulations;

4. He is not allowed to serve as a director or senior manager of the company as stipulated in the Company Law;

5. Where the laws and regulations stipulate that he is not allowed to participate in the equity incentives of listed companies;

6. Other circumstances identified by the CSRC.

In case of any of the circumstances specified in Article (I) above occurred to the Company, the plan will be terminated, and all restricted stocks that have been granted to the incentive object according to the incentive plan but have not yet lifted the sales restriction shall be repurchased by the Company according to regulations; In case of one of the circumstances specified in Article (II) above occurred to an incentive object, the restricted stocks that have been granted to the incentive object according to the incentive plan but have not yet lifted the sales restriction shall be repurchased by the Company according to regulations.

(III) Performance assessment requirements at company level

For restricted stocks granted by this incentive plan, the assessment year for lifting the

restricted sales of this incentive plan is three fiscal years from 2021 to 2023, with one assessment in each fiscal year. The performance assessment of lifting the restricted stock granted by this plan is shown in the following table:

Sale restriction period	Performance assessment conditions
The first sales restriction release period	Based on the average performance from 2018 to 2020, the growth rate of net profit attributable to ordinary shareholders of the company in 2021 is not lower than [12.0%], which is not lower than the average level of the same industry; The return on net assets in 2021 is not lower than [8.0%], which is not lower than the average level of the same industry; In 2021, the profit of main business accounts for no less than [73%] of the total profit.
The second sales restriction release period	Based on the average performance from 2018 to 2020, the growth rate of net profit attributable to ordinary shareholders of the company in 2022 is not lower than [16.0%], which is not lower than the average level of the same industry; The return on net assets in 2022 is not lower than [8.0%], which is not lower than the average level of the same industry; In 2022, the profit of main business accounts for no less than [73%] of the total profit.
The third sales restriction release period	Based on the average performance from 2018 to 2020, the growth rate of net profit attributable to ordinary shareholders of the company in 2023 is not lower than [20.0%], which is not lower than the average level of the same industry; The return on net assets in 2023 is not lower than [8.0%], which is not lower than the average level of the same industry; In 2023, the profit of main business accounts for no less than [73%] of the total profit.

Note: ① The impact of other comprehensive income-changes in fair value of investment in other equity instruments on changes in net assets is not considered when calculating the return on net assets. ② When calculating the growth rate of net profit, the net profit attributable to the parent company of the listed company after excluding the influence of share-based payment expenses of this plan is the accounting standard. ③ Main business profit = total profit - investment income. ④ The specific accounting standard of performance indicators shall be determined by the Board of Directors authorized by the General Meeting of Shareholders. ⑤ Within the validity period of the equity incentive plan, if the net assets change due to additional issuance, share allotment, merger and acquisition, etc., Where assessing the return on net assets index for the year, changes in net assets and net profit changes caused by this event are excluded. ⑥ The Company is of the "General Equipment Manufacturing Industry" under the "Manufacturing Industry" category of CSRC, and its peer enterprises in the same industry are all domestic A-share and B-share listed companies under the

"General Equipment Manufacturing Industry" category of CSRC.

If the performance assessment target of the restricted stock in a certain period of the sales restriction release period is not achieved, the restricted stock of all incentive objects in the current period cannot be lifted, and the Company will repurchase the restricted stock at the granted price.

(IV) Assessment of incentive objects at individual level

Assessment of incentive objects at individual level shall be conducted in accordance with the *Administrative Measures for the Implementation Assessment of Restricted Stock Incentive Plan of Hangzhou Steam Turbine Co., Ltd.* in 2021.

Individual assessment of incentive objects is carried out by years, and performance assessment results (S) are divided into four grades. The proportion of sales restriction release in the current year is determined according to the results of individual performance assessment. The actual sales restriction release amount of the individual in the current year = the coefficient of sales restriction release × the planned sales restriction release amount of the individual in the current year. The special circumstances in performance assessment shall be decided by the Board of Directors. See the following table for details:

Evaluation results (s)	Excellent	Good	Pass	Fail
Coefficient of sales restriction release	1		0.8	0

Restricted stocks that cannot be released in the current period due to the results of performance assessment at individual level shall not be deferred until the sales restriction release in the next period, and shall be repurchased by the Company at the granted price.

III. Explanation of scientificity and rationality of assessment indicators

The indicators of the Company's restricted stock incentive plan are divided into two levels, namely, performance assessment at company level and performance assessment at individual level.

According to the relevant regulations of the state-owned assets supervision department, in principle, performance indicators shall include comprehensive indicators reflecting shareholders'

returns and company value creation, indicators reflecting the sustainable growth ability of the enterprise and indicators reflecting the operation quality of the enterprise. Based on the above regulations, the Company's equity incentive plan combines the market practice and the Company's business characteristics, and selects appropriate performance indicators as the company-level performance assessment indicators for lifting the restricted stock sales, including net profit growth rate, return on net assets, and the proportion of main business profits to total profits as the company-level performance assessment indicators. The above indicators are the core financial and operational indicators of the Company, which respectively reflect the growth ability, profitability and profit structure of the Company. Upon reasonable prediction and consideration of the incentive effect of this plan, the Company set the aforesaid performance assessment objectives for this plan.

In addition to the performance assessment at the company level, the Company has also set up a strict performance assessment system for individuals, which can make a more accurate and comprehensive assessment of the job performance of the incentive objects. According to the performance assessment results of the incentive object in the previous year, the Company will determine whether the individual incentive object meets the conditions for lifting the sales restriction.

To sum up, the company's performance assessment indicators of this incentive plan fully consider the Company's business environment and future development planning, which is scientific and reasonable, and the assessment system is comprehensive, comprehensive and operable. The company's assessment indicators are set reasonably.

Chapter IX Adjustment Methods and Procedures of this Incentive Plan

I. Adjustment method of restricted stock quantity

If, during the period from the announcement date of this incentive plan to the completion of the registration of restricted stock by the incentive object, the Company has such matters as transferring capital reserve into share capital, distributing stock dividends, splitting shares, allotting or reducing shares, etc., the number of restricted stocks shall be adjusted accordingly. Adjustment method is as follows:

1. Transfer of capital reserve into share capital, distribution of stock dividends, and share splitting: $Q=Q_0\times(1+n)$

Where: Q_0 is the number of restricted stocks before adjustment; N is the ratio of capital reserve to share capital, stock dividend and share splitting per share (that is, the number of shares increased after capital reserve to share capital, stock dividend and share splitting); Q is the adjusted number of restricted stocks.

2. Allotment of shares: $Q=Q_0\times P_1\times(1+n)\div(P_1+P_2\times n)$

Where: Q_0 is the number of restricted stocks before adjustment; P_1 is the closing price of date of record on that day; P_2 is the allotment price; N is the proportion of allotment (that is, the ratio of the number of shares allotted to the total share capital of the company before allotment); Q is the number of restricted stocks after adjustment.

3. Share reduction: $Q=Q_0\times n$

Where: Q_0 is the number of restricted stocks before adjustment; N is the share reduction ratio (that is, one company stock is reduced to N shares); Q is the adjusted number of restricted stocks.

4. Additional shares

The number of restricted stocks will not be adjusted when the company issues additional shares.

II. Adjustment method of restricted stock grant price

If, during the period from the announcement date of this incentive plan to the completion of the registration of restricted stock by the incentive object, the Company has such matters as transferring capital reserve into share capital, distributing stock dividends, splitting shares, allotting, reducing shares, or distributing dividend etc., the grant price of restricted stocks shall be adjusted accordingly. Adjustment method is as follows:

1. Transfer of capital reserve into share capital, distribution of stock dividends, and share splitting: $P = P_0 \div (1 + n)$

Where: P_0 is the grant price before adjustment; N is the ratio of capital reserve to share capital, stock dividend and share splitting per share; P is the grant price after adjustment.

2. Allotment of shares: $P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$

Where: Q_0 is the grant price of restricted stocks before adjustment; P_1 is the closing price of date of record on that day; P_2 is the allotment price; N is the proportion of allotment (that is, the ratio of the number of shares allotted to the total share capital of the company before allotment); P is the grant price after adjustment.

3. Share reduction: $P = P_0 \div n$

In which: P_0 is the grant price before adjustment; N is the share reduction ratio; P is the grant price after adjustment.

4. Dividend distribution: $P = P_0 - V$

Where: P_0 is the grant price before adjustment; V is the dividend per share; P is the grant price after adjustment. After dividend adjustment, P must still be greater than 1.

5. Additional shares

The grant price of restricted stocks will not be adjusted when the company issues additional shares.

III. Procedures for the adjustment of this incentive plan

The General Meeting of Shareholders of the Company authorizes its Board of Directors to adjust the number of restricted shares and grant the price when the aforesaid situations occur. Lawyers shall issue professional opinions on whether the above adjustments comply with the *Administrative Measures*, the *Articles of Association* and the restricted stock plan. After the adjustment proposal is reviewed and approved by the Board of Directors, the Company shall timely disclose the announcement of the resolution of the Board of Directors and announce the opinions of the law firm.

Chapter X Accounting Treatment of Restricted Stocks

I. Accounting treatment method of restricted stock

According to the *Accounting Standards for Business Enterprises No.11-Share-based Payment*, the Company will revise the number of restricted stocks that are expected to be released from the sales restriction on each balance sheet date of the sales restriction period according to the latest acquired follow-up information such as changes in the number of people are entitled to sale restriction release and the completion of performance indicators, and according to the fair value on the grant date of restricted stock, the services obtained in the current period will be included in relevant costs or expenses and capital reserves.

1. Grant date

The company repurchases treasury stocks for equity incentives, and there will be no accounting treatment done on the grant date.

2. Subscription payments from employees received by the company

The company shall include the subscription monies from the employee into the bank deposits based they paid and meanwhile recognize the liabilities for the repurchase obligations.

3. Each balance sheet date during the restricted sale period

According to the provisions of the *Accounting Standards for Business Enterprises*, on each balance sheet date during the restricted sale period, the services provided by the employees will be included in the cost and expenses, and meanwhile the capital reserve will be recognized.

4. The lifting date of the sales restriction

On the date when the sales restriction is lifted, if the conditions for lifting the sales restriction are met, the restrictions on sales and repurchase obligations can be lifted. The company resells according to the cost of treasury stocks corresponding to the unlocked stocks, the amount of accumulated capital during the waiting period and the book value of liabilities, and where it is a difference, it shall adjust the capital reserve; if all or part of the stock is not lifted and becomes invalid or becomes nullify, the company needs to repurchase the stock and it shall deal with it in

accordance with the Accounting Standards for Business Enterprises and related regulations.

II. The method for determining the fair value of restricted stocks

According to the *Accounting Standards for Business Enterprises No.11-Share-based Payment*, the Company takes the difference between the closing price of shares on the grant date and the grant price as the share-based payment cost of each restricted stock, and will finally confirm the share-based payment cost of this incentive plan.

III. Expected affect of the implementation of the restricted stock incentive plan on the operating performance of each period

Assuming that the grant date of restricted stocks is in early September 2021, the grant price is HK\$ 6.825 per share, the share price is HK\$ 13.65 per share on the grant date, the recognized cost of each restricted stock is HK\$ 6.825, and the exchange rate of HK\$ to RMB is 0.8336, all incentive objects can meet the performance assessment index and the turnover rate during the sales restriction period is 0, the cost amortization estimate of 19,551,800 restricted stocks granted by the Company to the incentive objects is shown in the following table:

Grant quantity ('0,000 shares)	Share-based payment ('0,000 yuan)	2021('0,000 yuan)	2022('0,000 yuan)	2023 ('0,000 yuan)	2024 ('0,000 yuan)	2025 ('0,000 yuan)
1,955.18	11123.64	1334.84	4004.51	3392.71	1761.24	630.34

Note: The above is the preliminary calculation result based on the current information of the Company, and the specific amount will be calculated by the fair value of restricted stocks on the actual grant date.

The amortization of share-based payment expenses has an impact on the business performance of each year within the validity period. If the positive effect of incentive plan on the

development of the Company is considered, including the enthusiasm of the management team, the improvement of operating efficiency and the reduction of agency cost, the improvement of the Company performance brought by this incentive plan will be higher than the increase of expenses brought thereby.

Chapter XI Implementation Procedures of this Incentive Plan

I. Effective procedure of this incentive plan

(I) The Remuneration and Assessment Committee under the Board of Directors of the Company is responsible for drafting this incentive plan.

(II) The Board of Directors of the Company shall make a resolution on this incentive plan according to law. When the Board of Directors deliberates this incentive plan, the directors who are the incentive objects or the directors who are related to them shall abstain from voting.

(III) Independent directors and the Board of Supervisors shall express their opinions on whether this incentive plan is conducive to the sustainable development of the Company and whether there is any obvious damage to the interests of the Company and all shareholders.

(IV) This incentive plan shall be approved by the competent authority of state-owned assets or the authorized subject, and can only be implemented after being reviewed and approved by the General Meeting of Shareholders of the Company.

The Company shall publicize the list of incentive objects within the Company through the Company's website or other means before convening the General Meeting of Shareholders (the publicity period shall not be less than 10 days). The Board of Supervisors shall review the list of equity incentives and fully listen to public opinions. The Company shall disclose the explanation of the Board of Supervisors on the examination and publicity of the incentive list 5 days before the General Meeting of Shareholders deliberates the plan.

(V) When the General Meeting of Shareholders of the Company votes on the restricted stock incentive plan, the independent directors shall collect the entrusted voting rights from all shareholders on the restricted stock incentive plan, and the Company shall provide online voting when providing on-site voting methods. The General Meeting of Shareholders shall vote on the contents of the equity incentive plan stipulated in Article 9 of the *Administrative Measures*, which shall be approved by more than 2/3 of the voting rights held by the shareholders present at the meeting, and separately count and disclose the voting conditions of other shareholders except the Company's directors, supervisors, senior management and shareholders holding more than 5% of

the Company's shares individually or collectively.

When the General Meeting of Shareholders of the Company deliberates this incentive plan, the shareholders who are the incentive objects or have an associated relationship with the incentive objects shall abstain from voting.

(VI) When this incentive plan is reviewed and approved by the General Meeting of Shareholders of the Company and the granting conditions stipulated in this incentive plan are met, the Company will grant restricted shares to the incentive objects within the specified time. After being authorized by the General Meeting of Shareholders, the Board of Directors shall be responsible for the granting, shares restriction release and repurchase.

II. Procedures for granting restricted shares

(I) After the General Meeting of Shareholders deliberated and approved the incentive plan, the Company signed the *Restricted Stock Grant Agreement* with the incentive object, thereby stipulating the rights and obligations of the Parties. The Board of Directors of the Company handles specific restricted stock granting matters according to the authorization of the General Meeting of Shareholders.

(II) Before the Company grants rights and interests to the incentive object, the Board of Directors shall review and announce whether the conditions for granting rights and interests to the incentive object set in this incentive plan are met.

Independent directors and the Board of Supervisors shall express clear opinions at the same time. The law firm shall issue legal opinions on whether the conditions for granting authorized benefits to the incentive object are met.

(III) The Board of Supervisors of the Company shall verify the grant date of restricted stocks and the list of incentive objects and express opinions.

(IV) When there is a difference between the Company's granting of rights and interests to the incentive object and the arrangement of this incentive plan, the independent directors, the Board of Supervisors (when the incentive object changes), the law firm and the independent financial adviser shall simultaneously express their clear opinions.

(V) After the incentive plan is reviewed and approved by the General Meeting of Shareholders, the Company shall grant the restricted stocks to the incentive objects and complete the announcement and registration within 60 days. The Board of Directors of the Company shall disclose the announcement of relevant implementation in a timely manner after the registration of restricted stocks granted.

If the Company fails to complete the above work within 60 days, the implementation of this incentive plan shall be terminated, and the Board of Directors shall promptly disclose the reasons for the failure and shall not review and disclose the equity incentive plan again within 3 months (according to the *Administrative Measures*, the period during which a listed company shall not grant restricted stocks is not included in such 60 days). The object of granting reserved rights shall be specified within 12 months after the plan is reviewed and approved by the General Meeting of Shareholders. If the incentive object is not specified for more than 12 months, the reserved rights will be invalid.

(VI) If the senior management of the Company, as the incentive object, has reduced the Company's shares within 6 months before the granting of restricted stocks, and after verification, there is no case of using inside information to trade, the Company may defer granting restricted stocks to 6 months after the last reduction transaction with reference to the provisions of the *Securities Law*.

(VII) After the Company applies to the stock exchange and is confirmed by the stock exchange, the securities depository and clearing institution shall handle the registration and settlement matters.

(VIII) After the registration of restricted stocks is completed, if the registered capital is changed, the Company shall go through the registration formalities for the corporate change with the industrial and commercial registration department.

III. Procedures for releasing sales restrictions of restricted stocks

(I) Before the date of sales restriction release, the Company shall confirm whether the incentive object meets the conditions for releasing sales restriction. The Board of Directors shall

review whether the conditions for releasing sales restrictions set in this incentive plan are met, and the independent directors and the Board of Supervisors shall also express their clear opinions. The law firm shall issue legal opinions on whether the conditions for releasing sales restriction of incentive objects are met. For incentive objects that meet the conditions for releasing sales restriction, the Company will handle the sales restriction release uniformly, and for incentive objects that do not meet the conditions, the Company will repurchase the restricted stocks held by them corresponding to the sales restriction release. The Company shall disclose the announcement of relevant implementation in a timely manner.

(II) The Company shall apply to the stock exchange before releasing sales restriction on the restricted stock of the incentive object, and the registration and settlement matters shall be handled by the securities depository and clearing institution after being confirmed by the stock exchange.

(III) Incentives may transfer restricted stocks that have been released from sales restriction, but the transfer of shares held by directors and senior management of the Company shall comply with the provisions of relevant laws, regulations and normative documents.

IV. Change procedure of this incentive plan

(I) If the Company intends to change this incentive plan before the General Meeting of Shareholders considers this incentive plan, it shall be reviewed and approved by the Board of Directors.

(II) Where the Company changes this incentive plan after the General Meeting of Shareholders deliberates and approves it, it shall be deliberated and decided by the General Meeting of Shareholders, and the following circumstances shall not be included:

1. Circumstances leading to the early release of the sales restriction;
2. Circumstances of lowering the grant price.

(III) Independent directors and the Board of Supervisors shall express their clear opinions on whether the changed plan is conducive to the sustainable development of listed companies and whether there is any obvious damage to the interests of listed companies and all shareholders.

(IV) The law firm shall give professional opinions on whether the changed scheme complies with the *Administrative Measures* and relevant laws and regulations, and whether there is any obvious damage to the interests of listed companies and all shareholders.

V. Termination procedure of this incentive plan

(I) If the Company intends to terminate the implementation of this incentive plan before the General Meeting of Shareholders considers this incentive plan, it shall be reviewed and approved by the Board of Directors.

(II) If the Company terminates the implementation of this incentive plan after the General Meeting Shareholders deliberates and approves this plan, it shall be deliberated and decided by the General Meeting Shareholders.

(III) The law firm shall give professional opinions on whether the termination of the incentive plan of the Company complies with the *Administrative Measures* and relevant laws and regulations, and whether there is any obvious damage to the interests of the Company and all shareholders.

(IV) When the incentive plan is terminated, the Company shall repurchase the restricted stocks that have not been lifted on sales restriction, and deal with them in accordance with the provisions of the *Company Law*.

(V) The Company shall apply to the stock exchange before repurchasing the restricted stock, and the registration and settlement matters shall be handled by the securities depository and clearing institution after being confirmed by the stock exchange.

(VI) When the Company needs to repurchase restricted stocks, it shall convene the Board of Directors in time to review the share repurchase plan, submit the share repurchase plan to the General Meeting of Shareholders for approval according to law, and make a timely announcement.

Chapter XII Rights and Obligations of the Company and Incentive Objects

I. Rights and obligations of the Company

(I) The Company has the right to interpret and execute this incentive plan, and assess the incentive objects according to the provisions of this incentive plan. If the incentive objects do not meet the conditions for lifting the restricted sales determined in this incentive plan, the Company will repurchase the restricted stocks of the incentive objects that have not been lifted according to the provisions of this incentive plan.

(II) If the incentive object violates the loyalty obligations stipulated in the *Company Law*, the *Articles of Association*, etc., or damages the Company's interests or reputation due to violations of laws, professional ethics, disclosure of company secrets, dereliction of duty or dereliction of duty, etc., the restricted stocks that have not been released from the sales restriction will be repurchased by the Company; If the circumstances are serious, the Board of Directors of the Company has the right to recover all or part of the proceeds obtained from the lifting of sales restriction.

(III) The Company promises not to provide loans, loan guarantees or any other form of financial assistance for the incentive objects to obtain restricted stocks according to this incentive plan.

(IV) The Company shall timely fulfill its obligations of reporting and information disclosure of restricted stock incentive plan in accordance with relevant regulations.

(V) The Company shall, in accordance with the restricted stock incentive plan and the relevant provisions of China Securities Regulatory Commission, Shenzhen Stock Exchange, CSDC, etc., actively cooperate with the incentive objects that meet the conditions for lifting the sales restrictions on sales restriction release. However, if the incentive object fails to lift the sales restriction according to his own wishes and causes losses to the incentive object due to the reasons of China Securities Regulatory Commission, Shenzhen Stock Exchange and securities depository and clearing institution, the Company will not be liable.

(VI) The Company's determination of the incentive object of the current plan does not mean that the incentive object is entitled to the right to continue to serve in the Company, nor does it

constitute the Company's commitment to the employment period of employees. The employment relationship between the Company and the incentive object is still in accordance with the labor contract signed by the Company.

(VII) Other relevant rights and obligations stipulated by laws and regulations.

II. Rights and obligations of incentive objects

(I) Incentive objects shall be diligent and conscientious, abide by professional ethics and make due contributions to the development of the Company according to the requirements of the positions employed by the Company.

(II) Incentives shall be in accordance with the provisions of this incentive plan to limit the sales restriction of restricted stock granted to them. Restricted stocks granted to incentive objects shall not be transferred or used to guarantee or repay debts before the sales restrictions release.

(III) The source of funds for the incentive object is self-financing.

(IV) The restricted stocks granted to the incentive object shall be entitled to the rights due to their stocks after being registered and transferred by the securities depository and clearing institution, including but not limited to the dividend rights and allotment rights of such stocks.

(V) Before the restricted stocks are released from sales restriction, the restricted stocks granted to the incentive object according to this plan shall not be transferred, used for guarantee or used to repay debts. Shares such as capital reserve converted into share capital, distribution of stock dividends, and share splitting obtained by the incentive object due to the granted restricted stocks that have not been released from the sales restriction are locked according to this incentive plan.

(VI) The incentive object shall pay personal income tax and other taxes and fees according to the national tax laws and regulations.

(VII) The incentive object promises that if the company does not meet the arrangement of granting rights or exercising rights due to false records, misleading statements or major omissions in the information disclosure documents, the incentive object shall return all the benefits obtained

from the equity incentive plan to the company after the relevant information disclosure documents are confirmed to include false records, misleading statements or major omissions.

(VIII) After the incentive plan is reviewed and approved by the General Meeting of Shareholders of the Company, the Company will sign a *Restricted Stock Grant Agreement* with each incentive object, which clearly stipulates their respective rights and obligations under the incentive plan and other related matters.

(IX) Other relevant rights and obligations stipulated by laws and regulations.

Chapter XIII Handling of Changes in Company and Incentive Objects

I. Handling of company changes

(I) In case of any of the following circumstances, the plan shall be terminated immediately:

1. The certified public accountants have issued an audit report with negative opinions or that cannot express opinions for the financial and accounting reports in the latest fiscal year;

2. The certified public accountants have issued an audit report with negative opinions or that cannot express opinions for the internal control of financial reports in the latest fiscal year;

3. In the late 36 months after listing, there have been cases where profits have not been distributed according to laws and regulations, the *Articles of Association* and public commitments;

4. Circumstances where the provisions of laws and regulations stipulates not to implement equity incentives;

5. Other circumstances that need to terminate the incentive plan as determined by the CSRC.

When the Company terminates the plan as mentioned above, the restricted stocks that have been granted to the incentive object but have not been released from the sales restriction will be repurchased by the Company at the grant price according to the relevant provisions of the plan.

(II) Under any of the following circumstances, the incentive plan shall be implemented normally:

1. The control right of the Company has changed;

2. The Company is merged or split.

(III) If the Company does not meet the conditions for granting restricted stocks or lifting the sales restriction arrangement due to false records, misleading statements or major omissions in the information disclosure documents, the restricted stocks that have not been lifted from sales restriction will be repurchased by the Company. If the incentive object has been granted restricted stocks and the sales restriction has been lifted, all incentive objects shall return the authorized benefits. If the incentive object who is not responsible for the above matters suffers losses due to

the return of rights and interests, it may claim compensation from the Company or the responsible object according to the relevant arrangements of this incentive plan.

The Board of Directors shall, in accordance with the provisions of the preceding paragraph and the relevant arrangements of this incentive plan, recover the income of the incentive object.

II. Changes in personal information of the incentive object

(I) If the incentive object has changed its position, but still works in the Company or its subordinate branches and subsidiaries and is dispatched by the Company, the restricted stocks granted to it will be carried out in full accordance with the procedures stipulated in this incentive plan before the job change. When the incentive object becomes an independent director or supervisor who cannot hold the restricted stock of the Company, the restricted stock that has been granted to the incentive object according to the plan but has not yet been released from the sales restriction will be repurchased by the Company according to the grant price plus the bank deposit interest in the same period.

(II) If the incentive object retires, or cancels or terminates the labor relationship with the Company due to objective reasons such as job transfer, which is not controlled by individuals, the incentive object can still release the sales restriction according to the agreed conditions as per the specific years of service during the performance assessment period. In addition to the foregoing, the remaining restricted stocks that have not been released from the sales restriction shall not be released from the sales restriction, and the Company shall repurchase them at the grant price plus the interest on bank deposits in the same period.

(III) If the incentive object leaves from the Company due to personal reasons such as resignation, company layoffs, contract expiration, etc., and does not cause the negative impact mentioned in Paragraph (IV) of Article 2 of Chapter XIII of this plan, the restricted stocks that have been granted to the incentive object according to this plan but have not yet been released from the sales restriction will be repurchased by the Company at the grant price.

(IV) In case of any of the following circumstances, the Company has the right to require the incentive object to return the benefits brought by this equity incentive, and the restricted stocks

that have been granted but have not yet been released from sales restriction will be repurchased by the Company. The repurchase price is the lower of the grant price and the market price of the Company's stock at the time of repurchase (the market price is the average transaction price of the Company's underlying stock on the 1st trading day before the Board of Directors deliberates the repurchase matters):

1. The incentive object is found with acts of violating national laws and regulations, professional ethics, dereliction of duty or malpractice, etc., seriously damaging the interests or reputation of the Company, causing direct or indirect economic losses or social adverse effects to the Company;

2. The incentive object is dismissed for violating the Company's rules and regulations, according to the relevant regulations of the Company's employee reward and punishment management, and for serious violation of discipline;

3. The Company has sufficient evidence to prove that the incentive object has illegal and disciplinary behaviors such as accepting bribes, asking for bribes, embezzling, stealing, revealing business and technical secrets, implementing related party transactions, reputation and having a significant negative impact on the Company's image, which directly or indirectly damages the interests of the Company and causes losses or adverse social effects to the Company;

4. The incentive object is investigated for criminal responsibility according to law for criminal acts;

5. The incentive object has violated relevant laws and regulations or the *Articles of Association*, causing undue damage to the Company;

6. The incentive object is personally responsible for the situation in the first paragraph of Article 18 of the *Administrative Measures*, or there is a situation in which restricted stocks may not be granted as stipulated in Article 8 of the *Administrative Measures*.

(V) When the incentive object cancels or terminates the labor relationship with the Company due to objective reasons such as death, loss of civil capacity, etc., the restricted stocks that have been granted but have not yet been released from the sales restriction shall not be released from

the sales restriction, and the Company shall repurchase them according to the grant price plus the bank deposit interest in the same period.

(VI) Other unspecified situations shall be identified by the Board of Directors and their handling methods shall be determined.

III. Settlement of disputes between the Company and incentive objects

Disputes or disputes between the Company and the incentive object arising from the implementation of this incentive plan and/or the equity incentive agreement signed by the parties or related to this incentive plan and/or equity incentive agreement shall be resolved through negotiation and communication by the parties, or through mediation by the Remuneration and Assessment Committee of the Board of Directors of the Company. If the parties fail to solve the dispute or dispute through the above methods within 60 days from the date of occurrence of the controversy or dispute, Either party has the right to submit the matter in dispute to the Hangzhou Arbitration Commission for arbitration in accordance with the arbitration rules of the Association. The arbitration award will be the final and it binds on both parties in the dispute.

Chapter XIV Repurchase Principle of Restrictive Stocks

If the Company repurchases restricted stocks according to the provisions of this incentive plan, the repurchase price shall be the grant price unless otherwise agreed in this incentive plan.

I. Adjustment method of repurchase quantity

After the stock registration of the restricted stocks granted to the incentive object is completed, if the Company has any matters that affect the total share capital or the stock price of the Company, such as transferring capital reserve into share capital, distributing stock dividends, splitting shares, allotment of shares, reducing shares, etc., the Company shall make corresponding adjustments to the repurchase quantity of restricted stocks that have not been lifted from sales restriction. Adjustment method is as follows:

1. Transfer of capital reserve into share capital, distribution of stock dividends, and share splitting: $Q = Q_0 \times (1 + n)$

Where: Q_0 is the number of restricted stocks before adjustment; N is the ratio of capital reserve to share capital, stock dividend and share splitting per share (that is, the number of shares increased after capital reserve to share capital, stock dividend and share splitting);

Q is the adjusted number of restricted stocks.

2. Allotment of shares: $Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$

Where: Q_0 is the number of restricted stocks before adjustment; P_1 is the closing price of date of record on that day; P_2 is the allotment price; n is the proportion of allotment (that is, the ratio of the number of shares allotted to the total share capital of the company before allotment); Q is the number of restricted stocks after adjustment.

3. Share reduction: $Q = Q_0 \times n$

Where: Q_0 is the number of restricted stocks before adjustment; N is the share reduction ratio (that is, one company stock is reduced to N shares); Q is the adjusted number of restricted stocks.

II. Adjustment method of repurchase price

After the stock registration of the restricted stocks granted to the incentive object is completed, if the Company has any matters that affect the total share capital or the stock price of the Company, such as transferring capital reserve into share capital, distributing stock dividends, splitting shares, allotment of shares or reducing shares, dividend distribution, etc., the Company shall make corresponding adjustments to the repurchase price of restricted stocks that have not been lifted from sales restriction. Adjustment method is as follows:

1. Transfer of capital reserve into share capital, distribution of stock dividends, and share splitting: $P = P_0 \div (1 + n)$

Where: P is the adjusted repurchase price of restricted stock per share, and P₀ is the grant price of restricted stock per share; N is the ratio of share capital transfer, stock dividend distribution and stock splitting (that is, the number of stocks increased after share transfer, share distribution or stock splitting)

2. Share reduction: $P = P_0 \div n$

Where: P is the adjusted repurchase price of restricted stock per share, and P₀ is the grant price of restricted stock per share; N is the share reduction ratio per share (i.e., 1 share is reduced to N shares).

3. Allotment of shares: $P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$

Where: P is the adjusted repurchase price of restricted stock per share, and P₀ is the grant price of restricted stock per share; P₁ is the closing price of date of record on that day; P₂ is the allotment price; n is the proportion of allotment (that is, the proportion between the number of shares allotted and the total share capital of the joint-stock company before allotment).

4. Dividend distribution: $P = P_0 - V$

W: P is the adjusted repurchase price of restricted stock per share, and P₀ is the grant price of restricted stock per share; V is the dividend amount distributed per share; After dividend adjustment, P must still be greater than 1.

III. Adjustment procedures of repurchase quantity and price

1. The General Meeting of Shareholders authorizes the Board of Directors of the Company to adjust the repurchase quantity and price of restricted stocks according to the reasons listed above. After the adjustment by the Board of Directors according to the above regulations, an announcement shall be made in time.

2. If it is necessary to adjust the quantity and price of restricted stock repurchase for other reasons, it shall be decided by the Board of Directors and reviewed and approved by the General Meeting of Shareholders.

IV. Procedures for repurchase

1. In case the Company needs to buy back as stipulated in this incentive plan, the Board of Directors shall be convened in time to review the share repurchase plan, and the cancellation of the repurchased shares shall be submitted to the General Meeting of Shareholders for approval and announced in a timely manner. When the Company implements repurchase, it shall apply to the stock exchange for lifting the sales restriction of such restricted stocks, and after confirmation by the stock exchange, the securities depository and clearing institution shall handle the registration and settlement matters.

2. When the Company implements repurchase according to the provisions of this incentive plan, it shall be handled in accordance with the relevant provisions of the *Company Law* and other laws and regulations.

Chapter XV Other Important Matters

I. The Company shall not provide loans, loan guarantees or any other form of financial assistance for the incentive objects to obtain restricted stocks according to this incentive plan.

II. If the relevant clauses in this incentive plan conflict with the relevant national laws, regulations, administrative rules and normative documents, the relevant national laws, regulations and administrative rules and regulations shall prevail. Matter uncovered in this incentive plan shall be subject to relevant national laws, regulations, administrative rules and normative documents.

III. If the incentive object violates the incentive plan, the *Articles of Association* or relevant national laws, regulations, administrative rules and normative documents, the proceeds from the sale of shares obtained according to the incentive plan shall be owned by the Company, which shall be executed by the Board of Directors of the Company.

IV. This plan shall be approved by the competent authority of state-owned assets or the authorized subject, and can come into force after being reviewed and approved by the General Meeting of Shareholders of the Company.

V. The right to interpret this incentive plan belongs to the Board of Directors of the Company.

The Board of Directors of Hangzhou Steam Turbine Co., Ltd.

July 12, 2021