

Hangzhou Steam Turbine Co., Ltd.

Announcement on the Completion of Registration of the First Grant of Restricted Stock Incentive Plan in 2021

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:

1. Listing date for restricted stock: October 22, 2021.
2. Registered number of restricted stock granted: 18,060,000 shares
3. Grant price of restricted stock: HKD 6.825/share
4. Registered number of people granted with restricted stock: 455
5. Source of restricted stock: B common stock repurchased by the Company from the secondary market

According to the *Administrative Measures on Equity Incentives of Listed Companies* issued by China Securities Regulatory Commission and the relevant rules of Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Co., Ltd., Hangzhou Steam Turbine Co., Ltd. (hereinafter referred to as "the Company") has completed the registration of the first grant of the restricted stock incentive plan in 2021, and the relevant details are announced as follows:

I. Relevant decision-making procedures and information disclosure that have been implemented in this incentive plan

1. On July 11, 2021, the 14th meeting of the Eighth Board of Directors reviewed and approved the *Proposal on the Company's Restricted Stock Incentive Plan (Draft) in 2021 and its Summary*, the *Proposal on the Company's Implementation Assessment Management Measures for the Restricted Stock Incentive Plan in 2021*, and the *Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to the Restricted Stock Incentive Plan in 2021*, and the 9th Meeting of the Eighth Supervisors of the Company reviewed and

approved the above related proposals. The Company disclosed related announcements such as the Restricted Stock Incentive Plan (Draft) and its Summary in 2021, the Implementation Assessment Management Measures for the Restricted Stock Incentive Plan in 2021, the Incentive Object List of the Restricted Stock Incentive Plan in 2021, the Self-inspection Form of Equity Incentive Plan, and the Legal Opinions of Shanghai Jintiancheng Law Firm on the 2021 Restricted Stock Incentive Plan of Hangzhou Steam Turbine Co., Ltd.

Independent directors of the Company expressed their independent opinions on whether the equity incentive plan is conducive to the sustainable development of the Company and whether there is any harm to the interests of the Company and all shareholders.

The Board of Supervisors of the Company issued the Verification Opinions on the Company's Restricted Stock Incentive Plan (Draft) in 2021.

2. On August 12, 2021, the Company disclosed the *Announcement on the Approval of Equity Incentive Plan by Hangzhou SASAC*. The Company received the Reply of Hangzhou Steam Turbine Co., Ltd. on Implementing the Restricted Stock Incentive Plan in 2021 (HGZK [2021] No.45), and Hangzhou SASAC agreed in principle that the Company should implement the restricted stock incentive plan in 2021.

3. From July 12, 2021 to July 21, 2021, the Company publicized the names and positions of the incentive objects by posting the *Publicity of the Company's Restricted Stock Incentive Objects in 2021* on the Company's business premises, specifying the circumstances that forbids to be equity incentive objects, and the ways and means of feedback during the publicity period. As of the expiration of the publicity period, the Company has not received any objection from any organization or individual to the incentive object of this incentive plan.

On August 23, 2021, the Company disclosed the Publicity and Verification Opinions of the Board of Supervisors of the Company on the List of Incentive Objects of Restricted Stock Incentive Plan. The Board of Supervisors of the Company believes that the incentive objects listed in this incentive plan comply with the Administrative Measures, Trial Measures, Notice and other laws, regulations, normative documents and the scope and conditions of incentive objects stipulated in the Incentive Plan (Draft), and there is no circumstances that forbids to be incentive objects, and its qualification as the incentive objects of this incentive plan is legal and effective.

On August 23, 2021, the Company disclosed the Independent Financial Advisor's Report of CITIC Securities Co., Ltd. on the Restricted Stock Incentive Plan (Draft) in 2021 of Hangzhou Steam Turbine Co., Ltd.

4. On August 27, 2021, the Company held the Second Provisional General Meeting of Shareholders in 2021, which reviewed and approved the *Proposal on the Company's Restricted*

Stock Incentive Plan in 2021 and its Summary, the Proposal on the Company's Implementation Assessment Management Measures for the Restricted Stock Incentive Plan in 2021, and the Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to the Restricted Stock Incentive Plan in 2021.

Meanwhile, the Company disclosed the Self-inspection Report on Insider Information of Restricted Stock Incentive Plan in 2021 and Stock Trading of Incentive Objects.

5. On August 30, 2021, the Company convened the 16th Meeting of the Eighth Board of Directors and the 11th Meeting of the Eighth Board of Supervisors, and respectively reviewed and approved the *Proposal on Granting Restricted Stocks to Incentive Objects for the First Time*. The Board of Directors of the Company considered that the granting conditions of restricted stocks stipulated in this incentive plan had been fulfilled, and agreed to grant 18.17 million restricted stocks to 457 incentive objects who meet the granting conditions on September 1, 2021 for the first time, at a price of HKD 6.825 per share. The Board of Supervisors of the Company verified the list of incentive objectives again and issued a clear consent opinion. Independent directors of the Company expressed their agreed independent opinions on this.

II. Details of the first grant of restricted stocks

1. First grant date: September 1, 2021
2. Source of stock: B common stock repurchased by the Company from the secondary market
3. Granted quantity: 18,060,000 shares.
4. Granted objects: 455 people
5. Grant price: HKD 6.825/share
6. List of incentive objects and granting information

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(Ten thousand 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%	0.03%
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, 94		894	45.72%	1.19%
Core personnel, 351		702	35.90%	0.93%
Total first grant, 455 people		1,806.00	92.37%	2.40%

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.

The above-mentioned incentive objects are all the personnel identified in the *List of Incentive Objects First Granted by Restricted Stock Incentive Plan in 2021 (at the Awarding Date)* published by the Company on Juchao Information Network on August 31, 2021.

7. Validity period of incentive plan, sales restriction period, arrangement for lifting sales restriction and performance appraisal requirements

(1) 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.

(2) Sales restriction period of this incentive plan and arrangement for lifting the sales restriction

The lifting period of restricted stock granted for the first time in this incentive plan and the schedule of each lifting 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
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%

(3) Performance assessment requirements for lifting restrictions on the restricted stock sales

➤ 1. 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.

➤ 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 on the consistency between the granting of restricted stock to the incentive objects granted this time and the previous review by the Board of Directors

On August 30, 2021, the Company convened the 16th Meeting of the Eighth Board of Directors, and reviewed and approved the *Proposal on Granting Restricted Stocks to Incentive Objects for the First Time*. The Board of Directors of the Company considered that the granting conditions of restricted stocks stipulated in this incentive plan had been fulfilled, and agreed to grant 18.17 million restricted stocks to 457 incentive objects who meet the granting conditions on September 1, 2021 for the first time, at a price of HKD 6.825 per share.

After the Board of Directors confirmed the first grant date of restricted stock in this incentive plan, during funds payment and the granting of restricted stock, 2 incentive objects voluntarily gave up subscribing for all 110,000 restricted stocks that the Company intends to grant to them for personal reasons. Therefore, for the first time, the number of incentive objects that the Company actually applied for grant registration in this incentive plan was 455, and the number of restricted stocks was 18.06 million shares.

In addition to the above adjustments, other implementation contents of this incentive plan are consistent with those reviewed and approved by the 16th Meeting of the Eighth Board of Directors of the Company.

IV. Capital verification of restricted stock subscription funds

Pan-China Certified Public Accountants (special general partnership) issued the *Capital Verification Report of Hangzhou Steam Turbine Co., Ltd* (TJY [2021] No.514) on September 23, 2021, which was verified as follows:

As of September 22, 2021, the Company has received paid-in capital of RMB 102,514,926.39 in its account established in China CITIC Bank Hushu Sub-branch for restricted stock incentive plan (account No.: 7332810182600019959). Participants in the restricted stock incentive plan of the Company acquired and held 18.06 million shares of the Company by repurchasing shares through your special securities account. After the repurchase of the restricted stock incentive plan, the treasury shares of the Company will decrease by 18.06 million shares, with 1.4918 million shares remained.

V. Listing date of restricted stock

The first grant date of this restricted stock incentive plan is September 1, 2021, and the listing date of restricted stocks is October 22, 2021.

VI. Influence of restricted stock grant registration on actual controller and controlling shareholders of the Company

After the registration of the granting of restricted stock, the total capital stock of the Company is still 754,010,400 shares, and the actual controllers, controlling shareholders and their persons acting in concert still hold 479,824,800 shares, accounting for the same proportion of the Company's capital stock. The source of the shares granted this time is the B common stock repurchased by the Company through the secondary market, and the total capital stock of the Company has not changed. This grant will not cause any change in the actual controller and controlling shareholder of the Company.

VII. Changes in the Company's capital stock structure

After the registration of this restricted stock grant, the changes of the Company's capital stock structure are shown in the following table:

Nature of stock	Before this change		Increase/decrease quantity (shares) in this change	After this change	
	Quantity (shares)	Proportion		Quantity (shares)	Proportion
I. Unlisted tradable shares	479,824800.	63.64%		479,824800.	63.64%
II. Listed tradable shares	274,185600.	36.36%		274,185600.	36.36%
1. Restricted tradable shares			18,060,000.	18,060,000.	2.40%
2. Unlimited tradable shares	274,185600.	36.36%	-18,060,000	256,125600.	33.97%
III. Total capital stock	754,010400.	100.00%		754,010400.	100.00%

Note: After the granting of restricted stock, the Company's equity distribution still meets the listing requirements.

VIII. Dilution of earnings per share

Since the restricted stock granted this time is from the B common stock repurchased by the Company itself from the secondary market, the total number of shares of the Company will remain unchanged after the grant is completed. Therefore, there is no dilution of earnings per share.

IX. Description of the Company's repurchased shares for this incentive plan

1. Implementation of share repurchase

On December 10, 2019, the Company held the second Provisional general meeting of shareholders in 2019, which reviewed and approved the share repurchase plan, and disclosed the share repurchase report on December 21, 2019 (see the Company's announcement for details, Announcement No.: 2019-79). On December 2, 2020, the Company disclosed the *Announcement on the Implementation Results of Share Repurchase and Share Changes*. By November 30, 2020, the Company had completed repurchase, and actually repurchased 19,551,800 shares of the Company, accounting for 2.59% of the Company's total share capital. The highest repurchase price was HKD 9.17 per share, the lowest repurchase price was HKD 7.22 per share, and the total amount of funds used was HKD 160,734,718.28. All the above repurchased shares are used to implement the equity incentive plan, which is consistent with the proposed purpose of the Company's share repurchase plan.

2. Explanation on accounting treatment of difference between award price of incentive shares and average price of repurchased shares

According to Article 22 of *Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments*, if a financial instrument or its components are equity instruments, when it is issued (including refinanced), repurchased, sold or canceled, the issuer shall treat it as a change in equity. Meanwhile, according to the regulation of employee option incentive for repurchased shares in the application guide of *Accounting Standards for Business Enterprises No.11-Share Payment*, an enterprise should write off the cost of treasury shares delivered to employees when employees are entitled to feasible rights, and adjust the capital reserve according to the difference. On each balance sheet date of the waiting period, the Company will include the difference between the fair value of the restricted stock grant date and the employee subscription price in the cost, and increase the capital reserve (other capital reserve).

X. A description of the sales of the Company's shares during the 6 months before the grant date of restricted stock if the incentive objects are directors and senior management personnel

After self-examination by the Company, the directors and senior management personnel who participated in the incentive did not buy or sell the Company's stock during 6 months before the grant date.

XI. Use plan of funds raised by granting restricted stock this time

The funds raised by granting restricted stock to the incentive object(s) this time will be used to supplement the working capital of the Company.

This announcement is hereby made.

Hangzhou Steam Turbine Co., Ltd.

October 25, 2021