

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



東方電氣股份有限公司
DONGFANG ELECTRIC CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1072)

**ANNOUNCEMENT IN RELATION TO THE FIRST GRANT OF
THE RESTRICTED SHARES TO PARTICIPANTS UNDER THE
RESTRICTED A SHARE INCENTIVE SCHEME FOR 2019**

Reference is made to (i) the announcement of Dongfang Electric Corporation Limited (the “**Company**”) dated 5 September 2019 in relation to, among other things, the proposed adoption of the Restricted A Share Incentive Scheme for 2019; (ii) the announcement dated 27 September 2019 in relation to the amendments to the Incentive Scheme and confirmation of the list of Participants who are connected persons thereunder; (iii) the circular dated 1 November 2019 in relation to, among other things, the proposed adoption of the Incentive Scheme; (iv) the announcement dated 8 November 2019 in relation to the explanation of the supervisory committee regarding the review opinions on the list of Participants under the Incentive Scheme and the status of announcement; (v) the announcement dated 20 November 2019 in relation to the approval of the Incentive Scheme by the State-owned Assets Supervision and Administration Commission of the State Council; and (vi) the announcement dated 22 November 2019 in relation to the poll results of the relevant resolutions in respect of the approval of the Incentive Scheme at the EGM and the Class Meetings. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meaning as defined in the above announcements and circular.

I. EXPLANATION OF THE BOARD REGARDING SATISFACTION OF CONDITIONS OF THE FIRST GRANT

In accordance with relevant provisions of the Administrative Measures, the Trial Measures, the Notice and the Incentive Scheme, after careful verification, the Board considered that all conditions of first Grant set out in the Incentive Scheme have been satisfied. Details of the conditions of First Grant are as follows:

- (1) There is no occurrence of any of the following events for the Company:
 1. issue of an auditors' report with an adverse opinion or a disclaimer opinion by certified public accountants in respect of the financial and accounting report of the Company for the latest accounting year;
 2. issue of an auditors' report with an adverse opinion or a disclaimer opinion by certified public accountants in respect of the Company's internal control over financial reporting for the latest accounting year;
 3. failure to pay dividends in accordance with laws and regulations, the Articles of Association and public undertakings during the latest 36 months after listing;
 4. prohibition from implementation of a share incentive scheme by applicable laws and regulations;
 5. any other circumstances as prescribed by the CSRC.

- (2) The Company shall meet the following conditions:
 1. it shall have a standardized governance structure, comprising the general meeting, the board and the management structure with a clear division of responsibilities among them. More than half of the board members shall be external directors (including independent non-executive directors, same as below);
 2. the Remuneration and Assessment Committee shall be composed of external directors, with sound system and procedures to ensure operation in accordance with applicable laws and regulations;

3. it shall have sound internal control and performance assessment systems and standardized fundamental management rules in place and have established systems for employment, remuneration and benefit and performance assessment that are in line with the requirements of the market economy and modern enterprise management system;
4. it shall have developed a clear and well-defined development strategy, shall be in a sound financial position with quality assets and stable business performance; and there were no financial violation of laws or regulations or negative records regarding the Company during the past three years;
5. any other conditions as prescribed by the securities regulatory authorities.

(3) A person shall not be qualified as a Participant if such person:

1. has been deemed as an inappropriate candidate by the Stock Exchange in the last 12 months;
2. has been deemed as an inappropriate candidate by the CSRC or any of its dispatched agencies in the last 12 months;
3. has been imposed with administrative penalties or a ban from entry into the securities market by the CSRC or any of its dispatched agencies due to material breach of laws and regulations in the last 12 months;
4. is prohibited from acting as a director or a member of the senior management of a company under the Company Law;
5. is not allowed to participate in any share incentive scheme of a listed company according to applicable laws and regulations and relevant provisions;
6. falls under any other circumstances as prescribed by the CSRC.

- (4) In compliance with the requirements of the Article 35 of the Trial Measures, a Participant shall not be a person who:
1. has violated relevant laws and regulations of the State or the provisions of the articles of association of the listed companies;
 2. has caused losses to listed companies during his/her term of office due to his/her violation of laws or disciplines such as bribery, embezzlement, theft, divulgence of confidential information of listed companies in operational and technical aspect and execution of unfair connected transactions, all of which are detrimental to the interests and reputation of listed companies and have a material adverse impact on the image of listed companies.
- (5) The Company has achieved the performance target that the following conditions are satisfied:
1. on the basis of 2017, the year-on-year increase in the growth rate of the net profit attributable to the Shareholders of the Company for 2018 shall not be less than 6% and not lower than industry average level;
 2. the weighted average return on net assets of the Company for 2018 shall not be less than 3.5% and not lower than industry average level;
 3. the Δ EVA of the Company for 2018 is positive.

Note: The abovementioned “Industry” refers to all A-share listed companies in the “general equipment manufacturing industry” under the industry classification by the CSRC.

In view of the above, the Board considered that the Company has satisfied all conditions of the First Grant of the Restricted Shares.

II. PARTICULARS OF THE FIRST GRANT

- (1) Grant Date: 22 November 2019
- (2) Number of Restricted Shares granted: 29,000,000 A shares
- (3) Number of persons granted: 800 persons
- (4) Grant Price: RMB5.93 per share
- (5) Source of Restricted Shares: the ordinary A shares issued by the Company to Participants
- (6) Validity Period, Lock-Up Period and Unlocking Arrangement:
 1. The Validity Period of the Incentive Scheme shall commence on the completion date of the registration of the Restricted Shares under the First Grant and end on the date when all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 72 months.
 2. The Lock-up Periods of the Restricted Shares granted under the Incentive Scheme shall be 24 months, 36 months and 48 months from the completion date of registration of the certain Restricted Shares under the grant. The Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, pledged or used for repayment of debt during the Lock-up Periods.

Upon expiry of each Lock-up Periods, the Company shall proceed with the unlocking for the Participants who satisfy the Unlocking Conditions, and the Restricted Shares held by Participants who do not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

3. The Unlocking Periods and unlocking schedule for the First Grant of Restricted Shares are set out in the table below:

Unlocking Period	Unlocking Time	Unlocking Ratio
The First Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of Restricted Shares and ending on the last trading day of the 36-month period from the date of completion of registration of Restricted Shares	1/3
The Second Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of Restricted Shares and ending on the last trading day of the 48-month period from the date of completion of registration of Restricted Shares	1/3
The Third Unlocking Period	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of Restricted Shares and ending on the last trading day of the 60-month period from the date of completion of registration of Restricted Shares	1/3

(7) List of Participants and the status of the Grant:

Name	Position	Number of Restricted Shares granted <i>(Unit: '0,000 Shares)</i>	Proportion in the total Restricted Shares granted	Proportion in the total share capital of the Company as at the date of First Grant
Gong Dan	Secretary to the Board	15	0.50%	0.0049%
Gao Feng	Vice President	15	0.50%	0.0049%
Chen Huan	Vice President	15	0.50%	0.0049%
Mid-level management and frontline leaders (797 persons in total)		2,855	95.17%	0.9237%
Reserved Grant		100	3.33%	0.0324%
Total		3,000	100.00%	0.9706%

Notes:

1. The total number of shares of the Company to be granted under the Incentive Scheme to any one of the above Participants will not exceed 1% of the total share capital of the Company during the Validity Period of the Incentive Scheme. The total number of target shares to be granted under the Incentive Scheme during the Validity Period will not exceed 10% of the Company's total share capital.
2. The above figures shown as totals may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

III. OPINIONS OF THE SUPERVISORY COMMITTEE

Upon verification of the Participants initially determined, the Grant Date, First Grant arrangements and other relevant matters under the Incentive Scheme, the Supervisory Committee is of the view that:

1. The 800 Participants granted with the Restricted Shares are all consistent with those set out in the Incentive Scheme (Amended Draft) and its summary as determined and approved at the EGM, A Shares Class Meeting and H Shares Class Meeting.
2. All Participants granted with Restricted Shares have satisfied the qualifications stipulated under the Company Law, the Securities Law and other laws, regulations and normative documents as well as the Articles of Association, have met the conditions of Participants under the Administrative Measures, the Trial Measures and other documents, fall within the scope of Participants under the Incentive Scheme (Amended Draft), are not subject to the circumstances where a person is prohibited to be a Participant as required under the Administrative Measures and the Trial Measures. Participants do not include Independent Non-executive Directors, Supervisors, Shareholders or de facto controllers individually or collectively holding more than 5% Shares of the Company as well as their spouses, parents and children. Participants to be granted with Restricted Shares are legally and validly qualified and have satisfied the conditions of grant of the Restricted Shares.
3. Neither the Company nor the Participants granted with Restricted Shares are subject to any circumstances where the grant/award of the Restricted Shares are prohibited. The conditions of grant of Restricted Shares to the Participants set out in the Incentive Scheme have been satisfied.
4. The Grant Date of the First Grant is in compliance with the provisions stipulated under the Administrative Measures and the Incentive Scheme (Amended Draft).

The Supervisory Committee has agreed to grant 29,000,000 Restricted A Shares to 800 eligible Participants on 22 November 2019, being the date of First Grant.

IV. STATEMENT ON DEALING IN SHARES OF THE COMPANY BY THE DIRECTORS AND SENIOR MANAGEMENT PARTICIPATING IN THE INCENTIVE SCHEME DURING THE 6 MONTHS PRIOR TO THE GRANT DATE

No Director participates in the Incentive Scheme, and no member of the senior management who are Participants in the Incentive Scheme has traded in the shares of the Company during the 6 months prior to the Grant Date.

V. IMPACT OF THE FIRST GRANT OF RESTRICTED SHARES ON THE FINANCIAL POSITION OF THE COMPANY

According to the requirements of the Accounting Standards for Business Enterprises No. 11-Share-based Payments (《企業會計準則第11號-股份支付》), at each balance sheet date within the Lock-up Period, the Company shall revise the number of the Restricted Shares which are expected to be unlocked according to the change in the latest available number of persons eligible to unlock the Restricted Shares, completion of the performance targets and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

The closing price of A shares at the Grant Date shall be taken by the Company as the fair value of Restricted Shares; the difference between the closing price of A shares at the Grant Date and the Grant Price shall be taken by the Company as the cost of the share-based payment per Restricted Share; and the share-based payment expenses under the Incentive Scheme shall be determined eventually. The incentive costs incurred from the Incentive Scheme will be charged to the recurring gain or loss.

At the Grant Date, the cost of the share-based payment for each Restricted Share is equal to the closing price of the A shares less the Grant Price, being RMB2.83. According to the calculation, the impact of the First Grant of Restricted Shares on the accounting costs incurred during each accounting period are as follows:

Number of Restricted Shares to be granted for the First Grant	Total costs	2019	2020	2021	2022	2023
<i>(0'000 shares)</i>	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>	<i>(RMB0'000)</i>
2,900	8,207.00	321.06	2,963.64	2,815.46	1,497.02	609.83

Note: The above result does not represent the final accounting cost. The accounting cost is related not only to the Grant Date, Grant Price and number of Restricted Shares granted, but also to the actual number of the interests that are valid and invalid. The final result of the above effects on the operating performance of the Company is subject to the annual audited report issued by the accounting firm.

Based on the current conditions, the Company evaluated that, without considering the stimulus effects of the Incentive Scheme on the operation performance of the Company, the amortization of the costs of the Incentive Scheme shall have certain, though not substantial, effect on the net profit of each year during the Validity Period. Taking into consideration the positive impact of the Incentive Scheme on the development of the Company, such as motivating the management team, increasing the operating efficiency and reducing the agency costs, the benefits generated from the improvement in the Company's operation performance due to the Incentive Scheme shall far exceed the increase of costs incurred by the Incentive Scheme.

VI. SUMMARY OF THE LEGAL OPINIONS

Beijing King & Wood Mallesons Law Office is of the opinion that, as at the date of the issuance of the legal opinion, (i) DEC has obtained the necessary approvals and authorization at the current stage; (ii) the Participants and the Grant Date determined under the First Grant complied with relevant provisions of the Administrative Measures, the Trial Measures and the Incentive Scheme (Amended Draft); (iii) the First Grant has satisfied the conditions of grant set out in the Administrative Measures, the Trial Measures and the Incentive Scheme (Amended Draft); and (iv) the First Grant is still subject to the information disclosure obligation and the confirmation and registration formalities with the Shanghai Stock Exchange and China Securities Depository & Clearing Corp. Ltd. Shanghai Branch in accordance with relevant provisions of the Administrative Measures and the Trial Measures.

VII. REVIEW OPINIONS OF THE PRC INDEPENDENT FINANCIAL ADVISER

Shanghai Realize Investment Consulting Co., Ltd. the PRC independent financial adviser of the Company, is of the opinion that as at the date of issuance of the report of the PRC independent financial adviser, the Company and the Participants under the Incentive Scheme have satisfied the conditions of grant as required under the Incentive Scheme; necessary approvals and authorization for the First Grant of Restricted Shares have been obtained, and the First Grant complies with relevant provisions of the Administrative Measures, the Trial Measures and the Notice as well as the Incentive Scheme; the Company still has to carry out relevant information disclosure within the prescribed period and handle relevant subsequent formalities with the Shanghai Stock Exchange and China Securities Depository & Clearing Corp. Ltd. Shanghai Branch for the First Grant pursuant to relevant provisions of the Administrative Measures and the Incentive Scheme.

By Order of the Board
Dongfang Electric Corporation Limited
Gong Dan
Company Secretary

Chengdu, Sichuan, the PRC
22 November 2019

As at the date of this announcement, the directors of the Company are as follows:

Directors: *Zou Lei, Yu Peigen, Huang Wei, Xu Peng and Bai Yong*

Independent Non-executive Directors: *Gu Dake, Xu Haihe and Liu Dengqing*