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**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)

**CONNECTED TRANSACTION**  
**TRANSFER OF TARGET ASSETS FROM DEC**

**TRANSFER OF ASSETS**

The Board hereby announces that on 29 May 2020, Dongfang Hydrogen (a subsidiary of the Company) entered into the Asset Transaction Contract with DEC, pursuant to which DEC agreed to transfer to Dongfang Hydrogen hydrogen fuel cell business related equipment and intangible assets, including 41 sets of machinery and equipment, 1 set of electronic equipment and 51 items of intangible assets such as software and patents. The transfer price is RMB47,285,590 which will be funded from internal resources of the Company.

**LISTING RULES IMPLICATION**

As at the date of this announcement, DEC is the substantial shareholder of the Company and holds approximately 55.43% of the entire issued shares of the Company. Therefore, DEC is a connected person (as defined under the Listing Rules) of the Company, accordingly, the transactions contemplated under the Asset Transaction Contract constitute connected transaction of the Company. Given that the highest applicable percentage ratio in relation to the Transfer of Assets is more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial opinion) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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### **PRINCIPAL TERMS OF THE ASSET TRANSACTION CONTRACT ARE SUMMARIZED AS BELOW:**

Date:	29 May 2020
Parties:	(1) DEC (as transferor); and (2) Dongfang Hydrogen (as transferee)
Target Assets:	hydrogen fuel cell business related equipment and intangible assets, including 41 sets of machinery and equipment, 1 set of electronic equipment and 51 items of intangible assets such as software and patents
Transfer Price:	RMB47,285,590
Payment Method:	(1) Within 90 days after the Asset Transaction Contract becomes effective, Dongfang Hydrogen shall pay 30% of the transfer price to DEC, being RMB14,185,677; (2) In the second year after the Asset Transaction Contract becomes effective (i.e. before 31 December 2021), Dongfang Hydrogen shall pay 30% of the transfer price to DEC, being RMB14,185,677; and (3) In the third year after the Asset Transaction Contract becomes effective (i.e. before 31 December 2022), Dongfang Hydrogen shall pay 40% of the transfer price to DEC, being RMB18,914,236.

The transfer price is determined by reference to the Asset Valuation Report ( Zhong Lian Guo Ji Ping Zi [2019] No. VHGPZ0658 ) on the transfer of the Underlying Assets with 31 May 2019 as the valuation date issued by Allied Appraisal Co., Ltd., a legally qualified valuer engaged by the Company.

Target Assets	Original value (RMB)	Net book value (RMB)	Valuation method adopted	Assessed value (RMB)
41 sets of machinery and equipment	5,396,037.12	5,063,709.40	replacement cost method	5,096,890
1 set of electronic equipment	54,137.93	49,852.01	replacement cost method	51,000
1 item of software	48,148.47	26,481.66	market approach	47,700
50 items of patents	0	0	income approach	42,090,000

Given that the valuation has adopted the income approach which involves the discounted cash flow method. Pursuant to Rule 14.61 of the Listing Rules, it is regarded as a profit forecast and is therefore, required to comply with the requirements of Rules 14.60A and 14.62 of the Listing Rules.

The principal assumptions are set out below:

1. It is assumed that there are no significant changes to the international financial and global economic environment as well as the national macroeconomic situation, and no significant changes to the political, economic and social environment of the countries and regions where each party is located.
2. It is assumed that there are no significant changes to the socio-economic environment and the prevailing interest rate, exchange rate, tax base and tax rate, and the levy through policies.

3. It is assumed that regulatory environment of the current national relevant laws and regulations and administrative policies, industrial policies, financial policies, tax policies and other policies are relatively stable. Unless otherwise stated, it is assumed that the transferee is operated in full compliance with relevant laws and regulations.
4. It is assumed that the industry where the Transferee is operated still maintains the current development direction and trend after the valuation date, without consideration of the impact of emergence of unknown new technologies and new business ideas on the industry trends in the future.
5. It is assumed that the asset transferred will, upon the realization of the economic behavior of the valuation purpose, continue in the original business direction, business mode, business scope and management level, and continue to operate in the current industry condition and market competition environment.
6. It is assumed that the Transferee will continue to operate according to the existing management level as at the valuation date of the valuation, and that the management of the asset transferee works responsibly and diligently, and the management is relatively stable and capable of assuming its duties, without consideration of the impact of major adjustments of the operator or major changes of management level on the future expected revenue.
7. It is assumed that the sales income of the Transferee after the valuation date of the valuation will be the average inflow and the cash outflow will be the average outflow.
8. It is assumed that the accounting policies adopted by the asset transferee in the future will be basically consistent with those adopted in the preparation of the Asset Valuation Report in major aspects.

9. It is assumed that the Transferee fully complies with the relevant laws and regulations in the country and region in which it legally operates.

In accordance with Rule 14.62 of the Listing Rules, the Directors have confirmed that the above profit forecast has been made after due and careful enquiry. BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership) (“**BDO**”), the reporting accountant of the Company, has reviewed the calculations and assumptions used in connection with the profit forecasts in the Valuation Report and has reported thereon. The letter from the Board and the relevant report from BDO are set out in Appendix I and Appendix II to this announcement, respectively.

Closing of the Transfer:

- (1) DEC shall, within 10 working days after the first payment of transfer price is made by Dongfang Hydrogen, carry out the transfer of the Target Assets and related ownership supporting documents and technical data with Dongfang Hydrogen.
- (2) DEC shall, within 60 days after the signing of the Asset Transaction Contract, transfer the ownership of the Target Assets to Dongfang Hydrogen, including but not limited to the completion of the registration procedures for the change of the Target Assets, the transfer of the Target Assets, related ownership supporting documents and technical data, etc.
- (3) The costs incurred in the process of transfer of the ownership of the Target Assets, including but not limited to the fees charged by the patent administration department, the service fees (if any) for registration of the change by the entrusted agency, and other procedural fees, shall be borne by Dongfang Hydrogen.
- (4) All taxes incurred in the process of transfer of the ownership of the Target Assets shall be paid and borne by the taxpayer in accordance with the relevant provisions of the national tax laws.

Liabilities for Breach:

- (1) If either party proposes to terminate the Asset Transaction Contract without any reasons, it shall pay liquidated damages to the other party in a lump sum of 5% of the transfer price of the Contract. If it causes losses to the other party, it shall also be liable for compensation.
- (2) If Dongfang Hydrogen fails to pay the transfer price within the time limit stipulated in the Asset Transaction Contract, it shall pay the liquidated damages for overdue payment to DEC. The liquidated damages shall be calculated on the basis of one ten-thousandth of the price payable in the current period during the delayed payment period. If the overdue payment exceeds 15 days, DEC has the right to terminate the Asset Transaction Contract and require Dongfang Hydrogen to bear the liability for breach of Contract at 5% of the transfer price of the Contract.
- (3) If DEC fails to transfer the Target Assets within the period stipulated in the Asset Transaction Contract or in accordance with the Contract, Dongfang Hydrogen has the right to terminate the Contract and require DEC to pay liquidated damages to Dongfang Hydrogen at 5% of the transfer price of the Contract.
- (4) Upon occurrence of any of the following:
  - (i) there are significant events on the Target Assets that are not disclosed or omitted, which may have a material adverse effect on the Target Assets or may affect the transfer price; and
  - (ii) there are title defects in some of the Target Assets, which may affect the transfer of the Target Assets,

Dongfang Hydrogen has the right to terminate the Asset Transaction Contract and require DEC to bear the liability for breach of Contract at 5% of the transfer price of the Contract.

- Amendment to and Termination of the Contract:
- (1) The Contract may be amended and terminated under mutual agreement by both parties.
  - (2) One party may terminate the Contract upon occurrence of any of the following:
    - (i) the purpose of the Contract is frustrated due to force majeure or any reasons not attributable to both parties;
    - (ii) the other party is incapable to fulfill the contractual obligations;
    - (iii) the purpose of the Contract is frustrated due to material breach of the contract by the other party; and
    - (iv) circumstances of breach of Contract by the other party as provided above.

Conditions of Completion: Both parties of the contract have complied with relevant procedures such as internal policy, asset valuation and filing for the legal transfer of the Underlying Assets involved in the contract, which shall come into force from the date of signature and seal of their legal representatives.

## **INFORMATION OF DONGFANG HYDROGEN, THE GROUP AND DEC**

### **Dongfang Hydrogen**

Dongfang Hydrogen is principally engaged in sales of fuel cell power generation system, vanadium liquid battery energy storage systems and other new energy systems and related products, and technology development, technology transfer, technical consultation and technical services. As at the date of this announcement, it is a wholly-owned subsidiary of the Company.

### **The Group**

The Company is principally engaged in the manufacture and sales of large-scale whole sets of power generation equipment, engineering contracting and services business, etc. The Group is principally engaged in the manufacture and sales of efficient and clean energy generation products, new energy generation products, hydro-electric power and environmental protection equipment and the provision of construction services for power stations.

## **DEC**

DEC is mainly engaged in import and export business; general contracting and subcontracting of projects of hydro-, thermal- and nuclear-power stations; whole set technological development of power station equipment and technical consultation; manufacturing and sales of whole-set equipment; sales of machinery and electrical auxiliary; general contracting and subcontracting of related projects; and house leasing. As at the date of this announcement, DEC owns approximately 55.43% of the entire issued shares of the Company, therefore is a substantial shareholder of the Company, and is beneficially owned by the State-owned Assets Supervision and Administration Commission of the State Council.

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO THE ASSET TRANSACTION CONTRACT**

The Board, including the independent non-executive Directors, is of the opinion that the entering of the Asset Transaction Contract is conducted based on the following reasons and in the interest of the Company and the Shareholders as a whole:

- (1) Prior to the completion of the Contract, DEC still holds some assets related to hydrogen energy and fuel cell, which are primarily used by Dongfang Hydrogen under authorization. Therefore, the purchase of relevant assets is conducive to clarifying the asset relationship between the Company and its substantial shareholder.
- (2) Hydrogen energy and fuel cell industry is a knowledge-intensive industry. The purchase of related patented technologies and equipment is not only an important means to enhance the capability in industrial technology, but also an important symbol to reflect the research and development ability and operation ability. Dongfang Hydrogen is in its infancy. In order to enhance the overall research and development strength of Dongfang Hydrogen, the acquisition of assets, the development of an independent intellectual property system and the formation of an integrated asset structure are main measures to pursue the strategy of innovation-driven development, and the inevitable requirements to reinforce the technical strength of the Company.
- (3) Currently, the competition in the hydrogen energy industry is increasingly fierce. For companies in the early stage of development, purchasing related assets can help them to rapidly improve their comprehensive strength and asset size, which is conducive to market development in the later stage and enhancing market position.



## **OPINIONS OF THE DIRECTORS**

The above connected transaction has been considered and approved by the Board. Also being directors or senior executives of DEC, Mr. Zou Lei, Mr. Yu Peigen, Mr. Huang Wei, Mr. Xu Peng and Mr. Bai Yong have abstained from voting on the abovementioned resolution. Save as disclosed above, there is no other Director who has a material interest in the Transfer of Assets and therefore there are no other Director who has to abstain from voting on such resolution.

The Directors (including all independent non-executive Directors) are of the opinion that (i) the transfer of assets contract is conducted on normal commercial terms or better; (ii) the terms of the Asset Transaction Contract are fair and reasonable; and (iii) the Transfer of Assets is in the interests of the Company and all Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, DEC is the substantial shareholder of the Company and holds approximately 55.43% of the entire issued shares of the Company. Therefore, DEC is a connected person (as defined under the Listing Rules) of the Company. Accordingly, the transactions contemplated under the Asset Transaction Contract constitute connected transaction of the Company. Given that the highest applicable percentage ratio in relation to the Transfer of Assets is more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial opinion) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

“A Shares”	the domestic ordinary share(s) of nominal value RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“Asset Transaction Contract” or “Contract”	the contract entered into between DEC and Dongfang Hydrogen on 29 May 2020 in relation to the transfer of hydrogen fuel cell business related equipment and intangible assets, including 41 sets of machinery and equipment, 1 set of electronic equipment and 51 items of intangible assets such as software and patents

“Asset Valuation Report”	the asset valuation report with 31 May 2019 as the valuation date issued by Allied Appraisal Co., Ltd. ( Zhong Lian Guo Ji Ping Zi [2019] No. VHGPZ0658 )
“Board”	the board of directors of the Company
“Company”	東方電氣股份有限公司(Dongfang Electric Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability whose H Shares are listed on the Main Board of the Stock Exchange and A Shares are listed on the Shanghai Stock Exchange
“DEC”	中國東方電氣集團有限公司(Dongfang Electric Corporation), a wholly state-owned company incorporated in the PRC with limited liability and the substantial shareholder of the Company
“Director(s)”	director(s) of the Company
“Dongfang Hydrogen”	Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd., a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“H Share(s)”	foreign ordinary shares of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	the percentage ratio(s) under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Shares and H Shares of the Company
“Shareholder(s)”	holder(s) of Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets” or “Underlying Assets”	the hydrogen fuel cell business related equipment and intangible assets, including 41 sets of machinery and equipment, 1 set of electronic equipment and 51 items of intangible assets such as software and patents
“Transfer of Assets”	the transfer of the Target Assets to Dongfang Hydrogen by DEC pursuant to the Asset Transaction Contract
“%”	percent

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

Chengdu, Sichuan, the PRC  
29 May 2020

*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*

**APPENDIX I – LETTER FROM THE BOARD OF DIRECTORS OF  
DONGFANG ELECTRIC CORPORATION LIMITED**

29 May 2020

Listing Division

The Stock Exchange of Hong Kong Limited

Dear Sirs,

**RULE 14.62 OF THE RULES GOVERNING THE LISTING OF SECURITIES  
ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

Reference is made to the valuation (the “**Valuation**”) conducted by Allied Appraisal Co., Ltd. (“**Allied Appraisal**”) in relation to the purchase of the 50 items of patents related to the hydrogen fuel cell business of Dongfang Electric Corporation by Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd., a subsidiary of the Company, as set forth in the announcement of Dongfang Electric Corporation Limited (the “**Company**”) dated 29 May 2020 (the “**Announcement**”).

We have reviewed the Valuation of Allied Appraisal and discussed with it on the relevant issues, including the bases and assumptions of the Valuation they have conducted. We have also reviewed the letter from our accountant, BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership) dated 28 May 2020, regarding the proper preparation of the profit forecast involved in the Valuation.

On the basis of the foregoing, we are of the opinion that the Valuation referred to in the Announcement has been made after due and careful enquiry.

Yours faithfully,  
**Dongfang Electric Corporation Limited**  
**Board of Directors**

## **APPENDIX II – REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED FUTURE CASH FLOWS IN RESPECT OF THE VALUE OF THE INTANGIBLE ASSETS TO BE TRANSFERRED TO DONGFANG ELECTRIC (CHENGDU) HYDROGEN FUEL CELL TECHNOLOGY CO., LTD.**

### **TO THE BOARD OF DIRECTORS OF DONGFANG ELECTRIC CORPORATION LIMITED (THE “COMPANY”):**

We have reviewed the calculations of the underlying discounted future cash flows (the “**Underlying Forecast**”) used by Allied Appraisal Co., Ltd. (“**Allied Appraisal**”) in their preparation of business valuation (the “**Valuation**”, valuation report number Zhong Lian Guo Ji Ping Zi [2019] No. VHGPZ0658), in respect of the value of the 50 intangible assets (including 22 invention patents, 5 utility model patents, 1 U.S. patent, and 22 invention patents that have been published but not yet authorized (two of which have been authorized after the valuation date but before the reporting date)) to be transferred to Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd. (the “**Dongfang Hydrogen**”), a subsidiary of Dongfang Electric Corporation Limited (the “**Company**”) as at 31 May 2019. The discounted future cash flows for the Valuation is regarded as a profit forecast under the Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **Directors’ responsibilities**

The directors of the Company are solely responsible for the preparation of the Underlying Forecast including a set of bases and assumptions (the “**Assumptions**”) for the purpose of valuation of the intangible assets to be transferred based on income approach adopting the discounted future cash flow method. The Underlying Forecast has been prepared using the Assumptions that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Even if the anticipated events occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The directors of the Company are responsible for the reasonableness and validity of the Assumptions.

#### **Reporting Accountants’ responsibilities**

Our responsibility is to express an opinion, based on our work on the Underlying Forecast and to report our opinion to you, solely for the purpose of reporting under the Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

We conducted our work in accordance with “Standards on Other Assurance Engagements of PRC Certified Public Accountants No. 3101 – Assurance Engagements other than Audit or Review of Historical Financial Information”. The Standards requires that we comply with ethical requirements and plan and perform the assurance service to obtain reasonable assurance as to the mathematical calculation for Underlying Forecast and whether the Underlying Forecast is prepared based on the Assumptions. Our work mainly includes the review on accuracy of calculation for the Underlying Forecast based on the Assumptions. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions Our work does not constitute any valuation on the intangible assets to be transferred.

## **Opinion**

Based on the foregoing, in our opinion, the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the Assumptions made by the directors of the Company.

**You must not provide this letter to any other party unless we agree that the Company may submit a copy of this letter to The Stock Exchange of Hong Kong Limited without further consultation.**

BDO China Shu Lun                      Chinese Certified Public Accountant: Zhang Junshu  
Pan Certified Public  
Accountants LLP (special      Chinese Certified Public Accountant: Zhang Jiahui  
general partnership)

Shanghai, the PRC  
28 May 2020