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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)

**ANNOUNCEMENT IN RELATION TO THE GRANT OF
THE RESERVED PORTION 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 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 RESERVED 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 Reserved Grant set out in the Incentive Scheme have been satisfied. Details of the conditions for the 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 Reserved Grant of the Restricted Shares.

II. PARTICULARS OF THE RESERVED GRANT

- (1) Grant Date of Reserved Grant: 24 September 2020
- (2) Number of reserved Restricted Shares granted: 1,000,000 A shares
- (3) Number of persons granted under Reserved Grant: 26 persons
- (4) Grant Price of Reserved Grant: RMB6.54 per share

The Grant Price of the reserved Restricted Shares shall be determined according to principle of fair market price, and shall not be lower than the higher of the following prices:

- (1) 60% of the average trading price of the underlying shares of the Company on the last trading day immediately preceding the date of announcement of the Board resolution on the grant of the reserved Restricted Shares;
- (2) 60% of one of the average trading prices of the underlying shares of the Company for the last 20 trading days, 60 trading days or 120 trading days immediately preceding the date of announcement of the Board resolution on the grant of the reserved Restricted Shares.

Based on the above pricing principles, the Grant Price of the reserved Restricted Shares shall be RMB6.54 per share.

- (5) Source of Restricted Shares: the ordinary A shares issued by the Company to the 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 Reserved 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 of the Reserved Portion:

Position	Number of Restricted Shares Granted (Unit: 0'000 shares)	Proportion in the Total Restricted Shares Granted	Proportion in the Company's Total Share Capital as at the Grant Date of the Reserved Grant under the Incentive Scheme
Mid-level management and frontline leaders (26 persons in total)	100	3.33%	0.03%

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.

III. OPINIONS OF THE INDEPENDENT DIRECTORS

The independent directors of the Company have expressed their opinions as follows after carefully reviewing the relevant resolutions which were considered at the 32nd meeting of the ninth session of the Board of the Company:

1. The conditions for granting reserved Restricted Shares to the Participants stipulated in the Incentive Scheme (Amended Draft) have been satisfied.
2. All the Participants who are to be granted with reserved Restricted Shares have met the conditions of Participants under the Administrative Measures and other laws, regulations and normative 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 relevant laws and regulations, and the Participants who are to be granted with reserved Restricted Shares are legally and validly qualified and such qualification is in line with the actual situation and actual business development need of the Company.
3. The Company is not subject to any circumstances where the grant/award of the Restricted Shares are prohibited and any plans or arrangements where the Participants are provided with loans, loan guarantees or any other forms of financial assistance.
4. With the authorization obtained at 2019 first extraordinary general meeting, the 2019 first A Shares class meeting and the 2019 first H Shares class meeting of the Company, the Board has determined that the Grant Date of the Reserved Grant of the Restricted Shares of the Company shall be 24 September 2020, which is in compliance with the provisions stipulated under the Administrative Measures and the Incentive Scheme (Amended Draft) regarding grant date.
5. The Company's implementation of the Incentive Scheme is beneficial to further improvement of the Company's governance structure, perfection of the Company's incentive mechanism, enhance the sense of responsibility and sense of mission of the mid-level and senior management and frontline leaders towards the realization of the sustainable and healthy development of the Company, is beneficial to the sustainable development of the Company, and will not damage the interest of the Company and the shareholders.

In view of the above, we agree to grant 1,000,000 Restricted Shares to 26 Participants who meet the conditions on 24 September 2020, being the Grant Date of the Reserved Grant.

IV. OPINIONS OF THE SUPERVISORY COMMITTEE

Upon verification of the Reserved Grant under the Incentive Scheme, the Supervisory Committee is of the view that:

1. The Reserved Grant is in line with the contents stipulated in the Incentive Scheme (Amended Draft) considered and approved at 2019 first extraordinary general meeting, the 2019 first A Shares class meeting and the 2019 first H Shares class meeting of the Company.
2. All Participants to be 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. 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 to be 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 Reserved 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 1,000,000 Restricted A Shares to 26 eligible Participants on 24 September 2020, being the date of Reserved Grant.

V. EXPLANATION ON DIFFERENCES BETWEEN THE GRANT AND THE INCENTIVE SCHEME CONSIDERED AND APPROVED AT GENERAL MEETINGS

The grant of the Company is in line with the Incentive Scheme considered and approved at 2019 first extraordinary general meeting, the 2019 first A Shares class meeting and the 2019 first H Shares class meeting of the Company.

VI. 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 or member of the senior management participates in the Reserved Grant under the Incentive Scheme.

VII. IMPACT OF THE 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 of the Reserved Grant, the cost of the share-based payment for each Restricted Share is equal to the closing price of the A shares at the Grant Date of the Reserved Grant less the Grant Price of the Reserved Grant, being RMB4.26. According to the calculation, the impact of the Reserved Grant of Restricted Shares on the accounting costs incurred during each accounting period is as follows:

**the Number
of Restricted
Shares under
Reserved**

Grant	Total Costs	2020	2021	2022	2023	2024
<i>(Unit: 0'000 shares) (RMB0'000) (RMB0'000) (RMB0'000) (RMB0'000) (RMB0'000) (RMB0'000)</i>						
100	426.00	41.45	153.83	134.70	70.08	25.93

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.

VIII. 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, necessary approvals and authorization for the Reserved Grant of Restricted Shares and the Repurchase and Cancellation have been obtained, and relevant provisions of the Administrative Measures, the Trial Measures, the Notice, the Working Guidelines as well as the Incentive Scheme (Amended Draft) have been complied with; 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 Reserved Grant of Restricted Shares and the Repurchase and Cancellation pursuant to relevant provisions of the Administrative Measures and the Incentive Scheme (Amended Draft).

IX. SUMMARY OF THE LEGAL OPINIONS

Beijing King & Wood Mallesons (Chengdu) Law Office is of the opinion that, as at the date of the issuance of the legal opinion, the Company has obtained the necessary approvals and authorization for the grant at the current stage; the Grant Date and the Participants determined under the grant comply with relevant provisions of the Administrative Measures, the Trial Measures and the Incentive Scheme (Amended Draft); the conditions for grant under the Incentive Scheme have been satisfied, and the Company complies with the relevant provisions set out in the Administrative Measures, the Trial Measures and the Incentive Scheme (Amended Draft) in the implementation of the grant; the grant is still subject to the information disclosure obligation and the registration formalities for grant of shares in accordance with relevant laws.

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

Chengdu, Sichuan, the PRC
24 September 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*