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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 ON RESULTS OF THE RESERVED GRANT OF RESTRICTED A SHARE INCENTIVE SCHEME FOR 2019

References are made to (i) the announcement of Dongfang Electric Corporation Limited 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 the Participants under the Incentive Scheme who are connected persons thereunder; (iii) the circular dated 1 November 2019 in relation to, among others, 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 by the State-owned assets Supervision and Administration Commission on the Incentive Scheme; (vi) the announcement dated 22 November 2019 in relation to the poll results of the EGM and Class Meetings passing the resolutions of the Incentive Scheme; (vii) the announcement dated 22 November 2019 in relation to the First Grant of Restricted Shares to Participants under the Incentive Scheme; and (viii) the announcement dated 24 September 2020 in relation to the grant of the reserved portion of the Restricted Shares to Participants under the Incentive Scheme. Unless otherwise specified, capitalized terms used in this announcement shall have the meanings as those defined in the above announcements and the circular.

I. PARTICULARS OF THE RESERVED GRANT

The actual status of the Reserved Grant under the Incentive Scheme is as follows:

1. Grant Date of Reserved Grant: 24 September 2020
2. Number of reserved Restricted Shares granted: 972,000 Shares
3. Number of persons granted under Reserved Grant: 26
4. Grant Price of Reserved Grant: RMB6.54 per Share
5. Source of shares: ordinary A Shares issued by the Company to the Participants
6. Validity Period, Lock-Up Periods and Unlocking Arrangement:
 - (i) The Validity Period of the Incentive Scheme at the First Grant shall commence on the date of the registration of the Restricted Shares and end on the date when all the Restricted Shares which have been granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 72 months.
 - (ii) The Lock-up Periods of the Restricted Shares granted under the Incentive Scheme shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the 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 Period.

After the Lock-up Periods, the Company will proceed the unlocked arrangement for those Participants satisfied the Unlocking Conditions. For Restricted Shares held by Participants who does not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

- (iii) The Unlocking Periods and unlocking schedule for the first and reserved Restricted Shares granted under the Incentive Scheme are set out in the table below:

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

For Restricted Shares held by Participants who does not satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

Restricted Shares received by Participants due to capitalisation issue, bonus issue and share subdivision shall also be subject to lock-up restriction, and shall not be disposed in the secondary market or otherwise transferred. The Unlocking Periods of such shares shall be the same as those of the Restricted Shares. Where the Company repurchases unlocked Restricted Shares, such shares shall be repurchased and cancelled together with those unlocked Restricted Shares.

(iv) Unlocking Conditions for Restricted Shares

While meeting relevant requirements consistent with the conditions for grant, the Restricted Shares granted to the Participants may be unlocked only when all of the following conditions are satisfied:

i) Achieving performance appraisal requirements at company level

Restricted Shares under the Incentive Scheme at the Reserved Grant shall be granted in 2020. The performance appraisal targets of the reserved portion for each year are set out as follows:

Unlocking Period	Performance targets
The First Unlocking Period	(1) On the basis of the net profit for 2018, the compound growth rate of the net profit for 2021 shall not be less than 10% and not lower than industry average level; (2) The return on net assets for 2021 shall not be less than 4.5% and not lower than industry average level; (3) The Δ EVA for 2021 is positive.

Unlocking Period	Performance targets
The Second Unlocking Period	<ul style="list-style-type: none"> (1) On the basis of the net profit for 2018, the compound growth rate of the net profit for 2022 shall not be less than 10% and not lower than industry average level; (2) The return on net assets for 2022 shall not be less than 5% and not lower than industry average level; (3) The Δ EVA for 2022 is positive.
The Third Unlocking Period	<ul style="list-style-type: none"> (1) On the basis of net profit for 2018, the compound growth rate of the net profit for 2023 shall not be less than 10% and not lower than industry average level; (2) The return on net assets for 2023 shall not be less than 5.5% and not lower than industry average level; (3) The Δ EVA for 2023 is positive.

Notes:

- (1) The abovementioned “net profit” refers to net profit attributable to Shareholders of the Company; “return on net assets” refers to weighted average return on net assets.
- (2) During the Validity Period of the Incentive Scheme, in case of additional issuance or allotment of shares etc. that would result in a change in the net assets of the Company, the change in net assets and the income arising therefrom (if such income cannot be accurately calculated, it can be calculated by multiplying the actual financing amount after deducting the financing cost by the interest rate of the national debts of the same term) shall be excluded when conducting an appraisal.

The incentive costs incurred from the Incentive Scheme will be charged to the Company’s administrative expenses.

In the event that the Company’s performance targets of Restricted Shares in certain Unlocking Period could not be achieved, all Participants’ current Restricted Shares shall not be unlocked and shall be repurchased and cancelled by the Company at the lower of the Grant Price and the market price (i.e. the average trading price of the Company’s Target Shares in the trading day prior to the date of the announcement of the Board resolution for consideration of the repurchase) of the Company’s shares during repurchasing in accordance with the Incentive Scheme.

- ii) Reaching performance appraisal requirements at the individual level

During the Validity Period of the Incentive Scheme, the Company will make an appraisal on performance of the Participants in accordance with the current Annual Assessment Management Measures. The performance results shall be categorised into five grades, namely excellent, good, competent, fair and poor. If the performance results of the Participants in the previous year is excellent, good and competent, the individual performance of the Participants in the previous year shall be regarded as “pass”; If the performance results of the Participants in the previous year is fair and poor, the individual performance of the Participants in the previous year shall be regarded as “fail”.

If the individual performance appraisal of certain Participant in the previous year is regarded as “pass”, the current restricted shares of the Participants shall be unlocked fully. If the individual performance appraisal of certain Participant in the previous year is regarded as “fail”, all current restricted shares shall be repurchased and cancelled by the Company at the lower of the Grant Price and the market price (i.e. the average trading price of the Company’s Target Shares in the trading day prior to the date of the announcement of the Board resolution for consideration of the repurchase) of the Company’s shares during repurchasing.

Grade	A	B	C	D	E
Score range	90 to 100	80 to 90	70 to 80	60 to 70	Below 60
Conclusion	Excellent	Good	Competent	Fair	Poor
	Pass			Fail	

Where the performance appraisal at company level fails or the performance appraisal at the individual level leads to unlocking conditions unachieved, the corresponding restricted shares shall not defer to unlock in the next period.

7. List of Participants of the Reserved Portion and the status of the grant

Position	Number of Restricted Shares granted (<i>'0,000 Shares</i>)	Proportion in the total Restricted Shares granted	Proportion in the Company's total share capital as at the Date of the Reserved Grant under the Incentive Scheme
Mid-level management and frontline leaders (26 persons in total)	<u>97.2</u>	<u>3.24%</u>	<u>0.03%</u>

Note:

The cumulative number of the shares of the Company to be granted to any one of the above Participants under the Incentive Scheme during the Validity Period will not exceed 1% of the total share capital of the Company, and the cumulative total number of target shares of the Company under the Incentive Scheme during the Validity Period will not exceed 10% of the total share capital of the Company.

II. CAPITAL VERIFICATION FOR SHARE SUBSCRIPTION AMOUNTS RECEIVED FOR THE RESTRICTED SHARES

The registered capital of the Company was RMB3,118,792,130.00 prior to the capital increase, and the share capital was RMB3,118,792,130.00, which has been verified by the Capital Verification Report Xin Kuai Shi Bao Zi [2019] No. ZG1862 (信會師報字[2019]第ZG1862號《驗資報告》) issued by BDO China Shu Lun Pan Certified Public Accountants LLP.

As verified by WUYIGE Certified Public Accountants LLP, as at 30 October 2020, the Company has received new investment in the total amount of RMB6,356,880.00 from 26 Participants. The monetary contribution paid by the shareholders was RMB6,356,880.00, among which the new registered capital was RMB970,000.00 and the capital reserve credited was RMB5,384,880.00.

As at 30 October 2020, the accumulated paid-in registered capital of the Company was RMB3,119,764,130.00 and the paid-in share capital was RMB3,119,764,130.00 after registration of the change.

III. REGISTRATION OF RESTRICTED SHARES

The 972,000 Restricted Shares under the Reserved Grant have been registered and the registration was completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 26 November 2020.

IV. EFFECTS ON THE CONTROLLING SHAREHOLDER OF THE COMPANY BEFORE AND AFTER THE GRANT

Upon completion of the Reserved Grant, the total number of Shares of the Company increased from 3,118,792,130 Shares to 3,119,764,130 Shares. Before the Reserved Grant, the controlling shareholder of the Company was Dongfang Electric Corporation, with a shareholding of 55.40%. After the Reserved Grant, Dongfang Electric Corporation remains the controlling shareholder of the Company, with a shareholding of 55.39%. The grant of the Restricted Shares will not result in any changes in control over the Company.

V. CHANGES IN THE SHAREHOLDING STRUCTURE

Class	Before the Change		Change	After the Change	
	Number <i>(Share)</i>	Proportion <i>(%)</i>		Number <i>(Share)</i>	Proportion <i>(%)</i>
Shares subject to selling restrictions	781,891,762	25.07%	972,000	782,863,762	25.09%
Shares not subject to Selling restrictions	<u>2,336,900,368</u>	<u>74.93%</u>	<u>–</u>	<u>2,336,900,368</u>	<u>74.91%</u>
Total	<u><u>3,118,792,130</u></u>	<u><u>100.00%</u></u>	<u><u>972,000</u></u>	<u><u>3,119,764,130</u></u>	<u><u>100.00%</u></u>

Upon completion of the grant of the Restricted Shares, the shareholding structure of the Company is fully qualified for listing.

VI. PLAN ON THE USE OF PROCEEDS

The proceeds raised by the Company from the additional issuance of Restricted Shares will be fully used to replenish the working capital of the Company.

VII. EFFECTS OF THE NEWLY INCREASED SHARES AFTER THE RESERVED GRANT ON THE LATEST FINANCIAL REPORT

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 Reserved Grant Date shall be taken by the Company as the fair value of the Restricted Shares; the difference between the closing price of A shares at the Reserved Grant Date and the Reserved 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 of the reserved portion 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 Reserved 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 Reserved Grant Price, 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 are as follows:

Number of Restricted Shares granted for the Reserved Grant (0'000)	Total costs (RMB0'000)	2020 (RMB0'000)	2021 (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)	2024 (RMB0'000)
97.2	414.07	40.29	149.53	130.93	68.12	25.21

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 the Restricted Shares granted, but also to the actual number of the Restricted Shares 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.

The Company evaluated on current conditions 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 costs of agents, 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.

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

Chengdu, Sichuan, the PRC
27 November 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*