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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**  
**PROPOSED CAPITAL CONTRIBUTION AND DEEMED DISPOSAL**  
**OF EQUITIES IN AN INDIRECT SUBSIDIARY**

The Board of the Company announces that, on 22 May 2019, the Proposed Capital Contribution of Dongshu New Material in an amount of RMB150 million was approved at the fourteenth meeting of the ninth session of the Board of the Company, such amount shall be injected by DEC in cash. As at the date of the announcement, Dongshu New Material is a wholly-owned subsidiary of Dongfang Turbine Company, a subsidiary of the Company. After completion of the Proposed Capital Contribution, the shareholding proportion of Dongshu New Material will be held by DEC and Dongfang Turbine Company as to 52.46% and 47.54%, respectively.

**BASIS FOR THE DETERMINATION OF THE PROPOSED INCREASED CAPITAL AMOUNT**

The proposed increased capital amount shall make reference to the Dongshu New Material Valuation Report, which is determined by the Independent Appraiser based on the total shareholders' equity of Dongshu New Material as at 31 December 2018 (the benchmark date) using the asset-based approach. The total shareholders' equity of Dongshu New Material, after deduction of the profit distribution for the year 2018, was RMB135,959,000.

## INFORMATION OF DONGSHU NEW MATERIAL, DONGFANG TURBINE COMPANY AND DEC

### Dongshu New Material

Dongshu New Material is mainly engaged in manufacturing of synthetic materials, composites, 2-furfuryl alcohol, furfural (The Business License for Hazardous Chemicals is valid until 4 July 2021), adhesives, epoxy resins and curing agents, binding materials, water-based paint, casting materials, conductive paste, metal processing auxiliary materials, packaging materials, and special chemicals (excluding hazardous chemicals); industrial protection and environmental protection engineering; equipment and plant leasing; road transport (operation with license during the validity period); general machinery; import and export of goods and technologies; technical consulting, technology transfer, professional consulting, and chemical technology services. (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.) The registered capital of Dongshu New Material is RMB40 million. As at the date of this announcement, Dongshu New Material is an indirect subsidiary of the Company.

### Financial Information of Dongshu New Material

The financial information of Dongshu New Material for the two years ended 31 December 2018 and 2017 is as follows:

	<b>For the year ended 31 December 2018</b> <i>RMB (0'000)</i> <i>(Audited)</i>	<b>For the year ended 31 December 2017</b> <i>RMB (0'000)</i> <i>(Audited)</i>
Total assets	57,453.90	39,958.24
Net assets	10,699.45	9,730.16
Revenue	45,044.88	31,096.71
Net profit before tax	721.87	2,677.57
Net profit after tax	652.02	2,262.04

## **Dongfang Turbine Company**

Dongfang Turbine Company is primarily engaged in general freight and transportation of large articles (I); repair of category 1 motor vehicles (i.e., small-sized passenger vehicles including sedans), large and medium-sized passenger vehicles, trucks (including engineering vehicles) and vehicles carrying dangerous goods (such businesses shall be carried out under valid permits); production, processing and sale of steam turbines, water turbines, gas turbines, compressors, fans, pumps and auxiliary engines thereof, wind generating sets, solar and renewable energy, mechanical equipment and its accessories, general and special equipment, metal products, electronic instruments, coatings and synthetic materials; industrial control and automation; the research, design, installation, commissioning, alteration and maintenance services of the power stations and the corresponding equipment; mechanical equipment and its accessories as well as the related import and export business. As at the date of this announcement, it is owned as to 95.45% of equity interests by the Company and therefore is a subsidiary of the Company.

## **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 technology consultation; manufacturing and sales of whole-set equipment; sales of machinery and electrical ancestries; general contracting and subcontracting of related projects; and house leasing. As at the date of this announcement, DEC owns 55.91% equity in the Company, therefore is a substantial shareholder of the Company.

## **REASONS FOR AND BENEFITS OF THE PROPOSED CAPITAL CONTRIBUTION**

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

- 1) Dongshu New Material is a high-tech enterprise integrating design, research and development, manufacturing, sales and service of polymer and composite materials. The Company is engaged in the development and manufacturing of power equipment for power plants and new energy fields. Both are not much related in terms of industrial development direction and main products.
- 2) The business of Dongshu New Materials is relatively independent and is difficult to form synergistic effects with the Company. Dongshu New Materials is controlled by DEC, which is beneficial for the Company to focus on its main business and concentrate resources on development of core businesses and for enhancement of the Company's competitiveness, which is in line with the development strategy of the Company.

- 3) The synthetic materials and composite materials manufacturing industry in which Dongshu New Material operates is a highly market-oriented and competitive. Certain scale effect is required to gain advantage in market competition. In view of the characteristics of the industry in which Dongshu New Material operates, the scale expansion will inevitably bring about the rapid increase in the amount of funds required for production and operation and the funds paid in advance, and the operational risks will be further amplified. The Company will not increase investment and maintain the existing size of investment, to ensure controllable risks while enjoying the interests from equity investment.

### **Conditions Precedent to the Proposed Capital Contribution**

- (1) DEC and Dongfang Turbine Company have officially signed the Capital Increase and Share Expansion Agreement; and
- (2) Both DEC and Dongfang Turbine Company have approved the transaction.

The Proposed Capital Contribution has been considered and approved at the fourteenth meeting of the ninth session of the Board and the eighth meeting of the ninth session of the supervisory committee of the Company. Having been directors or senior executives of DEC, Mr. Zou Lei, Mr. Huang Wei, Mr. Xu Peng and Mr. Bai Yong have abstained from voting on the abovementioned resolutions. Save as disclosed above, there is no other Director has a material interest in the Proposed Capital Contribution and therefore no other Director has abstained from voting on such Board resolution.

The Directors of the Company (including all independent non-executive Directors) (i) are of the opinion that the Proposed Capital Contribution is in line with the principles of fairness, justice and integrity, and the pricing principle is in compliance with the requirements of relevant state laws and regulations and normative documents; (ii) confirm the audit report and Dongshu New Material Valuation Report issued by relevant audit institutions and asset appraisal firms on the transaction, respectively, and consider that the appraisal assumptions are reasonable, and the appraisal methods selected are appropriate and reasonable and in line with the purpose of the appraisal, and show good correlation with the purpose of the appraisal, the appraisal value of the asset is fair and reasonable; (iii) believe that the proposed capital increase transaction is in the interests of the Company and all Shareholders as a whole without jeopardizing the interest of minority Shareholders.

### **LISTING RULES IMPLICATION**

As at the date of this announcement, DEC is the substantial shareholder of the Company and holds approximately 55.91% of the issued shares of the Company. Therefore, DEC is a connected person (as defined under the Listing Rules) of the Company. Accordingly, the Proposed Capital Contribution may constitute a connected transaction of the Company.

The equity of Dongfang Turbine Company in Dongshu New Material will be diluted from 100% to 47.54% after the completion of the Proposed Capital Contribution. The relevant dilution will be deemed as the disposal of equities in an indirect subsidiary under Rule 14.29 of the Listing Rules. As all relevant percentage ratios in respect of the deemed disposal exceed 0.1% but are less than 5%, the deemed disposal is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial opinions) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the completion of Proposed Capital Contribution is subject to, among other things, certain conditions precedent being fulfilled, it may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

The Company will make further announcement for the Proposed Capital Contribution in compliance with the Listing Rules as and when appropriate.

## DEFINITIONS

“A Shares”	the domestic ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed for and/or credited as paid up in RMB by PRC nationals and/or PRC corporate entities and listed and traded on the Shanghai Stock Exchange
“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
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“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
“Dongshu New Material”	Sichuan Dongshu New Material Co., Ltd., a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Dongfang Turbine Company

“Dongshu New Material Valuation Report”	the valuation report on Dongshu New Material dated 19 April 2019 prepared by the Independent Appraiser with 31 December 2018 as the benchmark date
“Dongfang Turbine Company”	DEC Dongfang Steam Turbine Co., Ltd., a company established in the PRC with limited liability which is held as to 95.45% by the Company and 4.55% by DEC, and a subsidiary of the Company
“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
“Independent Appraiser”	Vocation (Beijing) International Asset Appraisal Co., Ltd.
“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 and Taiwan
“Proposed Capital Contribution”	the capital increase of RMB150 million proposed to be made into Dongshu New Material by DEC in cash as approved by the Board on 22 May 2019
“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
“substantial shareholder” or “DEC”	中國東方電氣集團有限公司 (Dongfang Electric Corporation)
“%”	per cent.

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

Chengdu, Sichuan, the People’s Republic of China  
22 May 2019

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

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

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