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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)

**(1) PROPOSED ADOPTION OF THE RESTRICTED A SHARE
INCENTIVE SCHEME FOR 2019**
(2) PROPOSED GRANT UNDER INCENTIVE SCHEME
(3) CONNECTED TRANSACTION

The Board is pleased to announce that, on 5 September 2019, the Board approved the relevant resolution in relation to the proposed adoption of the Restricted A Share Incentive Scheme for 2019. The Incentive Scheme shall become effective upon consideration and approval of the extraordinary general meeting and the Class Meetings of the Company. Before the extraordinary general meeting and the Class Meetings of the Company are held for approval of the Incentive Scheme, the Company may make certain amendments to the Incentive Scheme upon the request of the regulatory authorities of the PRC and/or Hong Kong. The principal terms of the proposed adoption Incentive Scheme are summarized as follows.

I. PURPOSE AND PRINCIPLES

The Incentive Scheme is formulated to further perfect the mid-and-long term incentive and restraint mechanism of the Company and achieve the incentive and restraint on the Directors, senior and middle management and frontline leaders of the Company to more tightly align their interests with the long-term development of the Company, and take on risks while share the interests together, and fully mobilize their enthusiasm and creativity to form a long-term behavior of decision-makers and operators, and improve the motivation force of the growth of the Company as well as cohesion and competitiveness of the Company to promote the sustainable and high quality development of the Company so that the value of the Company and Shareholders will be maximized. On the basis of fully safeguarding Shareholders' interests, the Incentive Scheme has been formulated on the principle of aligning return with contribution to the Company and in accordance with relevant laws, regulations and regulatory documents such as the Company Law, the Securities Law, the Administrative Measures, the Trial Measures and the Notice, as well as the relevant requirements of the Articles of Association.

The Incentive Scheme adheres to the following principles:

1. Being lawful, open and transparent, and abiding by laws, regulations and the requirements of the Articles of Association;
2. Safeguarding the interests of the Shareholders and the Company, improving value preservation and appreciation of state-owned assets, and contributing to the Company's sustainable and high-quality development;
3. Combining incentives with constraints, making risks commensurate with returns and reasonably determine the magnitude of incentives for the Participants;
4. Being practicable and standardized, rolling out step by step and improving constantly.

II. SHARE INCENTIVE METHOD AND SOURCE OF UNDERLYING SHARES

The share incentive method of the Incentive Scheme is to grant Restricted Shares to the Participants and the source is from the issuance of the Company's A shares to the Participants.

III. NUMBER OF RESTRICTED SHARES TO BE GRANTED

30,000,000 Restricted Shares is proposed to be granted under the Incentive Scheme, accounting for approximately 0.97% of the Company's total share capital of 3,090,803,431 shares as at the date of this announcement. Specifically, 29,000,000 Restricted Shares will be granted firstly, accounting for approximately 0.94% of the Company's total share capital as at the date of this announcement, and accounting for approximately 96.67% of the total Restricted Shares available under the Incentive Scheme; and 1,000,000 shares will be reserved, accounting for approximately 0.03% of the Company's total share capital as at the date of this announcement, and accounting for approximately 3.33% of the total Restricted Shares available under the Incentive Scheme. The Reserved Grant shall not exceeded 20% of the total interests available under the Incentive Scheme.

The total number of target shares to be granted under the share incentive scheme during the validity period will not exceed 10% of the Company's total share capital, and the total number of Restricted Shares to be granted under the Incentive Scheme to any one of the Participants during the Validity Period will not exceed 1% of the total share capital of the Company.

IV. BASIS FOR DETERMINING THE SCOPE OF THE PARTICIPANTS AND ALLOCATION

(I) Basis for determining the Participants

1. Legal basis for determining the Participants

The Participants of the Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Trial Measures, the Notice as well as other relevant laws, regulations, regulatory documents and the relevant requirements of the Articles of Association and the actual situation of the Company.

2. Positions held by Participants in the Company

The Participants under the Incentive Scheme shall include directors, senior and middle management, and frontline leaders of the Company, its branches and subsidiaries.

(II) Participants to be covered

The total number of Participants proposed at the First Grant under the Incentive Scheme shall be 800, specifically including the Company's (including its branches and subsidiaries):

1. Directors and senior management;
2. Middle management;
3. Frontline leaders (non-leadership level's key personnel in marketing, research and development, management and production).

The Participants under the Incentive Scheme do not include the independent non-executive directors and the supervisors, any Shareholder or actual controller, whether jointly or individually, holding more than 5% of the shares of the Company, or their respective spouses, parents and children.

For the above Participant, a Director must have been elected at a general meeting or senior management member must have been engaged by the Board. All Participants should be appointed, employed or hired by the Company or any of the branch or subsidiary of the Company when they are granted incentive interests.

Pursuant to Article 8 of the Administration Measures, 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; or
- (6) falls under any other circumstances as prescribed by the CSRC.

Pursuant to Article 35 of the Trial Measures, a person shall not be qualified as a Participant if such person:

- (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.

(III) Allocation of the Restricted Shares to be Granted to Participants

The allocation of the Restricted Shares to be granted under the Proposed First Grant of the Incentive Scheme among all Participants is set out in the table below:

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 as at the date of this announcement
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 (800 persons for the First Grant)		<u>3,000</u>	<u>100.00%</u>	<u>0.9706%</u>

Notes:

The above figures shown as totals may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

For the First Grant, the below Participants are the chief executives of the Company, hence connected persons of the Company. The details of the Restricted Shares granted to them are as below:

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 as at the date of the announcement of the draft Incentive Scheme
Gao Feng	Vice President	15	0.50%	0.0049%
Chen Huan	Vice President	15	0.50%	0.0049%
Total		<u>30</u>	<u>1.00%</u>	<u>0.0098%</u>

V. GRANT PRICE AND BASIS OF DETERMINATION OF THE GRANT PRICE

(I) Grant Price of the Restricted Shares under the First Grant

The Grant Price of the Restricted Shares under the First Grant of the Incentive Scheme shall be RMB5.93 per Share. Upon fulfillment of grant conditions, each Participant is entitled to purchase A Shares newly issued to the Participants by the Company at the price of RMB5.93 per share.

(II) Basis for determination of the Grant Price of the Restricted Shares under the First Grant

The Grant Price of the Restricted Shares granted by the Company via means of issuing additional 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 Target Shares of the Company on the last trading day immediately preceding the date of this announcement;
2. 60% of one of the average trading price of the Target Shares of the Company for the last 20 trading days, 60 trading days and 120 trading days immediately preceding the date of this announcement.

Based on the above pricing principles, the Grant Price of the Restricted Shares under the First Grant shall be RMB5.93 per share.

VI. VALIDITY PERIOD, GRANT DATE, LOCK-UP PERIODS AND UNLOCKING ARRANGEMENT OF THE INCENTIVE SCHEME

(I) Validity Period

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) Grant Date

The Grant Date of First Grant shall be determined by the Board after the Incentive Scheme is approved by the State-owned Assets Supervision and Administration Commission of the State Council and considered and approved at the extraordinary general meeting and Class Meetings of the Company, and the Grant Date must be a trading day. The Company shall grant the Restricted Shares and complete the registration and announcement procedures within 60 days (excluding the dates which granting are not permitted under relevant laws, regulations and listing rules requirements) from the date on which the Incentive Scheme is considered and approved at the extraordinary general meeting, Class Meetings of the Company, failing which the implementation of the Incentive Scheme will be terminated and the Restricted Shares which have not been granted will lapse.

The grant of Restricted Shares by the Company shall not be carried out in the following periods:

1. the period commencing from 60 days prior to the publication of annual results announcements of the Company, 30 days prior to the interim results announcements and the quarterly results announcements and the respective announcement day of the abovementioned announcements; in the event of delay in publishing the announcements for special reasons, 30 days prior to the originally estimated date of publication and end on one day prior to the date of publication;
2. within 10 days prior to the publication of the announcement of the performance forecast or the announcement of the preliminary performance results;

3. the period commencing from the date of occurrence of any significant event which may have significant effect on the trading price of the Company's shares and their derivatives or the date on which relevant decision-making procedures start, and ending on the second trading day following the disclosure in accordance with laws;
4. such other period as stipulated by the CSRC and the Shanghai Stock Exchange.

The abovementioned periods during which the Company shall not allowed to grant Restricted Shares shall not be included in the aforementioned period of 60 days.

Where a Participant who is a Director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for six months from the date of the latest of such shareholding reduction in accordance with the short-swing trading provisions under the Securities Law. The aforementioned postponed period shall not be included in the period of 60 days.

(III) Lock-Up Periods and Unlocking Arrangement

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.

The Unlocking Periods and unlocking schedule for the initial 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 Initial 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 Initial 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 Initial 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

After the Lock-up Period, the Company will proceed the unlocked arrangement for those Participants satisfied the Unlocking Conditions.

For Restricted Shares which failed to be unlocked during the aforesaid Unlocking Periods, the Company will repurchase from the relevant Participants and cancel such Restricted Shares which failed to be unlocked in accordance with the principles of the Incentive Scheme.

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 until they are unlocked. 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) Black-out Provisions

The black-out provisions under the Incentive Scheme shall be implemented in accordance with the Company Law, the Securities Law, other relevant laws, regulations and regulatory documents, and the Articles of Association. Such provisions include but are not limited to:

1. If a Participant is a Director or a member of Senior Management of the Company, the number of shares that may be transferred each year during his/her term of office shall not exceed 25% of the total number of shares held by him/her. He/she shall not transfer any of his/her shares within 6 months after his/her departure.
2. If a Participant, who is a Director or a member of Senior Management of the Company, disposes any shares within six months after the acquisition, or re-purchases within six months after disposition, all gains arising therefrom shall belong to the Company and be recovered by the Board.
3. If, during the Validity Period of the Incentive Scheme, there is any change to the requirements regarding the transfer of shares by a Director and a member of Senior Management of the Company under the Company Law, the Securities Law, other relevant laws, regulations and regulatory documents and the Articles of Association, a Participant shall comply with the relevant amended regulations upon transfer of his/her shares held by him/her.

4. A Participant, who is a Director or a member of Senior Management, shall prolong the Lockup Period of 20% of the aggregate Restricted Shares granted to him/her to the expiry of his/her term of office (the term of office of the position held on the last unlocking date) and unlock the restrictions subject to his/her performance appraisal or the result of economic duty audit during such term.

Whether a Participant is a Director or a member of Senior Management shall be determined based on the position such Participant holds for the year when he/she was granted the Restricted Shares under the Incentive Scheme; performance appraisal or economic duty audit of a Participant refers to those conducted for the term of office during the year when the Participants were granted the Restricted Shares under the Incentive Scheme.

VII. CONDITIONS OF GRANT AND UNLOCKING OF RESTRICTED SHARES UNDER THE INCENTIVE SCHEME

(I) Conditions of grant of Restricted Shares

The Company shall grant Restricted Shares to the Participants upon satisfaction of all of the following conditions of grant, and no Restricted Shares shall be granted to the Participants if any of the following conditions of grant has not been satisfied.

1. There is no occurrence of any of the following on the part of 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 or public undertakings during the 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 Shareholders' general meeting, the Board and the management, with a clear division of responsibilities among them. More than half of the Board members shall be external Directors (including independent non-executive directors);
 - (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 system 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 Participant shall not be a person who:
 - (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 under laws and regulations;
 - (6) falls under any other circumstances as prescribed by the CSRC.
- 4. Pursuant to 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 in the articles of association of listed companies; or
 - (2) has caused losses to listed companies during his/her term of office due to his/her violations of law or discipline such as bribery, embezzlement and 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 is deemed to have achieved the performance target if all of 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.

(II) Unlocking conditions for Restricted Shares

Within the Unlocking Period, the Restricted Shares granted to a Participant may be unlocked only when all of the following conditions are satisfied:

1. there is no occurrence of any of the following on the part of 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 which 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 36 months after listing;
 - (4) prohibition from implementation of a share option 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 Shareholders' general meeting, the Board and the management, with a clear division of responsibilities among them. More than half of the Board members shall be external Directors (including independent non-executive directors);
 - (2) The remuneration and assessment committee shall be composed of external Directors, with sound system and procedures to ensure operations 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 violations of law or discipline or negative records regarding the Company during the past three years;
 - (5) any other conditions as prescribed by the securities regulatory authorities.
- 3. A Participant shall not be a person who:
 - (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, supervisor or a member of the senior management of a corporation under the Company Law;
 - (5) is not allowed to participate in any share incentive scheme of a listed company under laws and regulations;
 - (6) falls under any other circumstances as prescribed by the CSRC.
- 4. Pursuant to 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 listed companies; or
 - (2) has caused losses to listed companies during his/her term of office due to his/her violations of law or discipline such as bribery, embezzlement and 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.

In case of occurrence of any of the circumstances as stipulated in paragraphs 1 and/or 2 above to the Company, all the Restricted Shares that have been granted to the Participants but not yet unlocked shall be repurchased and cancelled by the Company at the Grant Price. In case of occurrence of any of the circumstances as stipulated in paragraphs 3 and/or 4 to a Participant, the Restricted Shares that have been granted to such Participant but not yet unlocked under the Incentive Scheme shall be repurchased and cancelled by the Company at the Grant Price.

5. Achieving the Company's level performance appraisal targets.

Restricted Shares in the Incentive Scheme at the First Grant shall be appraised on performance and unlocked on a year basis in three accounting years from 2020 to 2022, and an appraisal will be carried out every accounting year to achieve the performance appraisal targets of the Company, which shall be regarded as the unlock conditions of the Participants.

- (1) Performance targets of the Company each year are set out in the table below:

Unlocking Period	Performance targets
The First Unlocking Period	<p>(1) On the basis of the net profit for 2018, the compound growth rate of the net profit for 2020 shall not be less than 10% and not lower than industry average level;</p> <p>(2) The return on net assets for 2020 shall not be less than 4% and not lower than industry average level; and</p> <p>(3) The Δ EVA for 2020 is positive.</p>

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 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; and (3) The Δ EVA for 2021 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 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; and (3) The Δ EVA for 2022 is positive.

Where the reserved portion shall be granted in 2019, performance targets of the reserved portion shall be consistent with the performance targets at the First Grant; Where the reserved portion shall be granted in 2020, performance targets of the reserved each year are set out in the table below:

Unlocking Period	Performance targets
The First 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 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; and (3) The Δ EVA for 2021 is positive.
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; and (3) The Δ EVA for 2022 is positive.
The Third 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 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; and (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.

- (2) Selection of industry peers in respect of grant of Restricted Shares and unlocking appraisal

The Company falls within the “general equipment manufacturing industry” under the “manufacturing” category of industry classification by the CSRC and the Company’s industry peers are all domestic A-share listed companies in the “general equipment manufacturing industry” as classified by the CSRC. During the Validity Period of the Incentive Scheme, if the CSRC adjusts the industry classification of the Company or adjusts the constituents in the same industry, the Company shall adopt the then last updated industry classification data in the appraisal of each year. Meanwhile, if there are significant changes in the principal business of or extreme values with excessive performance variation in the same industry samples during the annual appraisal, the Board will remove the samples based on actual conditions.

6. Reaching performance appraisal requirements at individual level

During the Validity Period of the Incentive Scheme, the Company will make an appraisal on annual performance of the Participants and determine to unlock the restraint ratio according to the results of annual performance appraisal of the Participants in accordance with the Assessment Management Measures for the Incentive Scheme for Restricted A Shares in 2019 (《2019年A股限制性股票激勵計劃實施考核管理辦法》).

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 shall be 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 shall be fair and poor, the individual performance of the Participants in the previous year shall be regarded as “fail”.

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	

If the individual performance appraisal of certain Participant in the previous year shall be 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 shall be 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.

7. Where the performance appraisal at the Company level shall fail 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.

IX. METHOD AND PROCEDURES FOR ADJUSTMENT TO THE NUMBER AND PRICE OF THE RESTRICTED SHARES OF THE INCENTIVE SCHEME

(I) Method of Adjusting the Number of Restricted Shares

During the period from the date of this announcement of the Incentive Scheme to the completion of registration of the Restricted Shares held by the Participants, in case of any capitalisation issue, bonus issue, share split, consolidation of shares or rights issue made by the Company, adjustment to the number of Restricted Shares shall be made by the Company accordingly. The method of adjustment is set out below:

1. *Capitalisation issue, bonus issue and share split*

$$Q = Q_0 \times (1 + n)$$

Where: Q represents the number of Restricted Shares after the adjustment; Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of increase of share resulting from the issue of shares by capitalisation issue, bonus issue and share split (i.e. the number of shares increased per share upon capitalisation issue, bonus issue or share split).

2. *Consolidation of shares*

$$Q = Q_0 \times n$$

Where: Q represents the number of Restricted Shares after the adjustment; Q_0 represents the number of Restricted Shares before the adjustment; n represents the proportion of a share that may result from consolidation of 1 share of the Company (i.e 1 share of the Company in consolidated to 11 shares).

3. *Rights issue*

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q represents the number of Restricted Shares after the adjustment; Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P_1 represents the closing price as at the date of registration of share; P_2 represents the price of the rights issue.

4. *Dividend distribution and additional issue of new shares*

Under the circumstance of dividend distribution and additional issue of new shares, no adjustment will be made to the number of Restricted Shares.

(II) Method of Adjusting the Grant Price of the Restricted Shares

In the event that, during the period from the date of this announcement of the Incentive Scheme to the completion of registration of the Restricted Shares held by a Participant, the Company will proceed any capitalisation issue, bonus issue, share split, dividend distribution, consolidation of shares or rights issue, adjustment to the Grant Price of Restricted Shares shall be made by the Company accordingly. The method of adjustment is set out below:

1. *Capitalisation issue, bonus issue and share split*

$$P = P_0 \div (1 + n)$$

Where: P represents the Grant Price after adjustment; P_0 represents the Grant Price before the adjustment; n represents the ratio of increase of shares resulting from the issue of shares by capitalisation issue, bonus issue and share split (i.e the number of Shares increased per Share upon capitalization, bonus issue or share split).

2. *Dividend distribution*

$$P = P_0 - V$$

Where: P represents the Grant Price after adjustment; P_0 represents the Grant Price before the adjustment; V represents the dividend per share.

3. *Consolidation of shares*

$$P = P_0 \div n$$

Where: P represents the Grant Price after adjustment; P_0 represents the Grant Price before the adjustment; n represents the proportion of a share that may result from consolidation of 1 share of the Company (i.e. 1 share of the Company is consolidated to n shares).

4. *Rights issue*

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P represents the Grant Price after adjustment; P_0 represents the Grant Price before the adjustment; P_1 represents the closing price as at the date of share registration; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue).

5. *Additional issue of new shares*

Under the circumstance of additional issue of new shares, no adjustment will be made on the price of the Restricted Shares.

(III) Adjustment Procedures for the Scheme

The Board was authorized the power at the general meeting of the Company to determine the adjustment to the Grant Price and the number of the Restricted Shares when the foregoing circumstances occur. The Board will adjust the Grant price and the number of the Restricted Shares based on the above mentioned requirements and will publish announcement in due course. The Company shall engage a legal adviser to provide professional advice to the Board as to whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Scheme.

IX. MATTERS IN RELATION TO RESERVED ENTITLEMENTS ARRANGEMENTS

The Company has reserved 1,000,000 Reserved Shares for further distribution, equivalent to approximately 3.33% of the total number of Restricted Shares proposed to be granted.

The Reserved shares to Participants shall be determined within 12 months from the date on which the Incentive Scheme is considered and passed at the general meeting, which shall not be granted to such Participants who have been granted the Incentive Scheme again. The Lock-up Periods, Unlocking Arrangements and Method of adjusting the Grant Price of the Reserved Shares will be the same as the initial grant. Following the proposals from the Board, issue of clear opinions by the independent Directors and the supervisory committee of the Company as well as issue of professional opinions and legal opinions by the legal adviser equipped with legal, the Company shall promptly and accurately disclose the relevant information on such Participants on the designated website pursuant to the relevant requirements. If the reserved part involves with connected persons,

the Company will comply with all applicable requirements of the Listing Rules by fulfilling the relevant information disclosure or shareholders' approval (if needed). The reserved entitlements shall become invalid where the Participants for the Reserved Grant are not determined after 12 months from the aforesaid date.

Before each grant of the Reserved Grant of the Restricted Shares under the Incentive Scheme, the Company shall hold a Board meeting to pass the relevant resolution, and shall disclose the information on such grant. The Grant Price of the Restricted Shares granted by the Company via means of issuing additional 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 Target 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 Grant;
2. 60% of one of the average trading price of the Target Shares of the Company for the last 20 trading days, 60 trading days and 120 trading days immediately preceding the date of announcement of the Board resolution on the grant of the Reserved Grant.

The Grant Date of the Reserved Grant will be determined when the Directors consider the grant of the Reserved Entitlements.

X. UNUSUAL CHANGES TO THE COMPANY/PARTICIPANTS

(I) UNUSUAL CHANGES TO THE COMPANY

1. The Scheme shall be terminated immediately in the event that any of the following events occurs to the Company:
 - (1) The Incentive Scheme shall be terminated in case of any issue of an auditors' report with adverse opinion or a disclaimer opinion by a certified public accountant with respect to the financial report of the Company for the latest accounting year;
 - (2) The Incentive Scheme shall be terminated in case of any issue of an auditors' report with adverse opinion or a disclaimer opinion by a certified public accountant with respect to the internal controls over the financial reporting of the Company for the latest accounting year;

- (3) The Incentive Scheme shall be terminated in case of any failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the past 36 months after listing;
- (4) Other circumstances where the implementation of a share option incentive scheme is prohibited by laws and regulations;
- (5) Other circumstances under which any share incentive scheme shall be terminated as determined by the CSRC.

Where the Company comes across any of the abovementioned circumstances under which the Incentive Scheme shall be terminated, the Restricted Shares of the Participants which are granted under the Incentive Scheme but not yet unlocked shall be repurchased and cancelled at the Grant Price by the Company.

- 2. The Incentive Scheme shall remain unchanged and the Company shall proceed to implement the Incentive Scheme as stipulated in the event that any of the following events occurs to the Company:
 - (1) Change of control of the Company;
 - (2) Merger or spin-off of the Company.
- 3. Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking the restrictions, the Restricted Shares not unlocked shall be repurchased and cancelled at the Grant Price by the Company on a uniform basis. In respect of the Restricted Shares granted to the Participants which have been unlocked, the Participants concerned shall return to the Company all interests granted. The Board shall recover all the profits gained by the Participants in accordance with the relevant arrangements under the Incentive Scheme.

(II) Changes in Personal Particulars of the Participants

1. Within six months from the date of occurrence of any of the following circumstances, the Restricted Shares of the Participants which have satisfied the unlock conditions within the year can be unlocked; Restricted Shares not satisfied with the unlock conditions shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling:
 - (1) A Participant is transferred from the Company and ceases to take office in the Company due to organizational arrangements;
 - (2) A Participant is deceased (his/her legal successor shall unlock the restrictions as required, instead);
 - (3) A Participant loses the capacity for civil conducts;
 - (4) A Participant is dismissed by the Company due to reasons other than incompetence to the position, disqualification in performance appraisal, negligence, violation of laws, non-compliance, etc.
2. When a Participant becomes an independent non-executive director, Supervisor or a person who is prohibited from holding the Company's Restricted Shares, all Restricted Shares held by such Participant that are still locked up shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling.
3. All Restricted Shares held by a Participant that are still locked up shall be repurchased and cancelled by the Company at a repurchase price equal to the lower of the Grant Price and the market price of the Company's shares (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) if any of the following circumstance occurs:
 - (1) such Participant proposes to terminate his/her employment contract with the Company;
 - (2) such Participant opts not to renew his employment contract with the Company when the contract expires;

- (3) such Participant becomes disqualified for the Incentive Scheme due to his incompetence to the position, disqualification in performance appraisal, negligence, violation of laws, non-compliance, etc.;
 - (4) such Participant is dismissed due to a breach of his fiduciary duties as required under the Company Law and the Articles of Association, violation of laws and regulations, breach of professional ethics, leakage of the Company's confidential information, dereliction of duty or malpractice or any other acts that damage the interests or reputation of the Company. (The Board reserves the right to recover all or part of the gains from the sale of Restricted Shares which have been unlocked based on the severity of the case).
4. Where a Participant retires upon reaching retirement age stipulated by law, all Restricted Shares held by such Participant that meet unlocking conditions in the year of such retirement can be unlocked within six months from the date of such retirement, and those not satisfied with the unlocking conditions shall be repurchased by the Company at the Grant Price plus the interests as calculated at the benchmark interest rate for deposits of the same period published by the People's Bank of China when repurchasing and cancelling. If, after the grant, there are changes to applicable laws and regulations, the Board will follow new regulations.
5. Other circumstances that are not covered shall be determined by the Board and dealt with in such manner as the Board determines.

(III) Resolution of Disputes Between the Company and Participants

Any dispute between the Company and the Participants shall be resolved in accordance with provisions of the Incentive Scheme and the agreement on the granting of Restricted Shares. Disputes not clearly covered by the provisions shall be negotiated and resolved in accordance with PRC laws and on fair and reasonable principles. Where the disputes cannot be settled through negotiations, they shall be solved through litigation by submitting to the People's Court with jurisdiction over the Company's place of domicile.

XI. ACCOUNTING TREATMENT ON RESTRICTIVE SHARES

In accordance with 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.

(I) Accounting treatment method

1. Grant Date

The share capital and capital reserve shall be determined according to the issuance of the Restricted Shares to the Participants by the Company.

2. Each balance sheet date within the Lock-up Period

In accordance with the requirements of the accounting standards, at each balance sheet date within the Lock-up Period, the services provided by the staff will be recognized in the costs or expenses, and the equity or liability will be recognized at the same time.

3. Unlocking date

At the unlocking date, the shares can be unlocked if all conditions of unlocking are satisfied; if the Restricted Shares are not unlocked and thus become invalid or cancelled, they shall be dealt with according to accounting standards and relevant requirements.

(II) Method for determining the fair value of the Restricted Shares

The fair value of the Restricted Shares will be determined by the market price on the Grant Date or the subscription price will be paid by the Participants. On the estimation date, the fair value of share payment per Restricted Shares is equal to the market price of Shares of the Company less the Grant Price, being RMB3.83 per share.

(III) The expected impact of the First Grant of part of the Restricted Shares on the operating performance in each accounting period

The Company will confirm the fair value of the Restricted Shares on the Grant Date according to relevant valuation tools and determine the share-based payment expenses under the Incentive Scheme eventually. Such expenses will be amortised based on the unlocking proportions during the implementation of the Incentive Scheme. The costs arising from the Incentive Scheme will be presented in recurring profit or loss.

Under the requirements of China accounting standards, assuming the Grant Date will be early November 2019, the estimated effects of the Restricted Shares to be granted for the First Grant under the Incentive Scheme on the accounting costs incurred in each accounting period are as follows:

Number of Restricted Shares to be granted for the First Grant (0'000 Shares)	Total costs (RMB0'000)	2019 (RMB0'000)	2020 (RMB0'000)	2021 (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)
2,900	11,107.00	334.24	4,010.86	3,856.60	2,056.85	848.45

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 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 costs arising from the Incentive Scheme will be presented in administrative expenses. 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 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.

(IV) Accounting treatment for the termination of the Incentive Scheme

Upon the termination of the Incentive Scheme, pursuant to the requirements of the Accounting Standards for Business Enterprises, the Restricted Shares which have been granted but are still locked up (except for those cancelled due to failure to satisfy the performance conditions), shall be subject to the following accounting treatment:

1. the cancellation or settlement will be treated as accelerated exercisable rights and the amount which should have been recognized during the remaining vesting period will be recognized immediately.
2. all payments made to the employee on the cancellation or settlement shall be treated as the repurchase of equity. Should the amount paid for the repurchase exceeds the fair value of the equity instrument on the repurchase day, such excess shall be recognised as the expense of the current period.

The above accounting treatment and its impact shall be for reference purpose only. The actual financial impact shall be measured in accordance with the relevant accounting principles on the termination date.

INFORMATION OF THE GROUP

The Group engages in the power equipment industry, offering businesses such as large, advanced sets of equipment for the high-efficiency clean generation of hydropower, thermal power, nuclear power, wind power, gas power and solar thermal, as well as construction contracting and services and power electronics and control, finance, logistics, trade, new energy, industrial and intelligent equipment.

REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE SCHEMES

Please refer to the section headed “PURPOSE AND PRINCIPLES” for reference.

The implementation of the Incentive Scheme by the Company can carry out the key initiatives of the CPC Central Committee, the State Council and PRC State-owned Assets Supervision and Administration Commission of the State Council on deepening the system and mechanism reform of the state-owned enterprises and constantly promoting the important focus on the establishment of the mid-long term incentive scheme for state-owned enterprises. In the next few years, the Company shall be at a critical point of implementing the new development strategy “12345” and “Overcome Obstacles, Climb Higher”. The implementation of the Incentive Scheme plays an important role in carrying out the 13th Five-Year Plan and 14th Five-Year Plan, cultivating the core talent team of the Company and injecting more vigor of operation and enhancing the motivation of high quality development.

The Incentive Scheme is a form of increasing shares held by our staff. Through the Incentive Scheme and the commitment to performance targets of our staff, the system of constraints and sharing interests between the Company and its staff will bring continuing returns for Shareholders and increase the value of state-owned assets while also help to enhance investors' confidence in the results and market value of the Company, which are conducive to the establishment of a positive corporate image and our influence and recognition in secondary market. The Board is of the view that the adoption of the Incentive Scheme will assist the Company in achieving the aforesaid goals, and that the terms and conditions of the Incentive Scheme are on normal commercial terms, fair, reasonable and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATION

The Incentive Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

As certain Participants of the First Grant under the Incentive Scheme are the Company's chief executive, they are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Grant of Restricted Shares to Participants who are connected persons contemplated under the Incentive Scheme will constitute a connected transaction of the Company which is subject to reporting, announcement and independent shareholders' approval. The Company will establish an Independent Board Committee to advise the Independent Shareholders in respect of the grant of Restricted Shares to Participants who are connected persons. The Company will appoint an Independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of Restricted Shares to Participants who are connected persons of the Company.

EXTRAORDINARY GENERAL MEETING

The Company will convene an extraordinary general meeting and A Share and H Share Class Meetings to consider and approve the Incentive Scheme and a number of resolutions relating to the Proposed Grant (including the grant of Restricted Shares to the Participants who are connected persons).

As the specific list of the Participants is to be determined, which may or may not include other Participants who are connected persons, the Company will promptly perform its disclosure obligations in accordance with the Listing Rules. After the determination of the list of Participants and the date of the extraordinary general meeting and the class meetings, a circular containing details of the resolution, the details of the Incentive Scheme, letters of opinion to the Independent Shareholders from the Independent Board Committee and Independent Financial Advisor in relation to the Proposed Grant of Restricted Shares to the Participants who are connected persons under the Proposed Incentive Scheme, together with the notice of the

extraordinary general meeting and the H Share Class Meeting, will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules in a timely manner Proposed.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“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;
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies (上市公司股權激勵管理辦法);
“Articles of Association”	the articles of association of the Company (as amended, modified or otherwise supplemented from time to time);
“Board”	the board of directors of the Company;
“Class Meetings”	collectively, the A Share Class Meeting and the H Share Class Meeting to be held;
“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;
“Company Law”	the Company Law of the PRC;
“connected person(s)”	as the meaning ascribed thereto under the Hong Kong Listing Rules;
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	director(s) of the Company;
“EVA”	Economic Value Added;

“First Grant”	the proposed grant of 29,000,000 Restricted A Shares to the Participants pursuant to the Incentive Scheme;
“Grant Date”	the date on which the Company grants the Restricted Shares to the Participants, and the Grant Date must be a trading day;
“Grant Price”	the price of each Restricted Share granted to the Participants;
“Group”	the Company and its subsidiaries;
“H Share(s)”	overseas listed foreign 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;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Incentive Scheme”	Restricted A Share Incentive Scheme of Dongfang Electric Corporation Limited for 2019;
“Independent Board Committee”	the committee formed by all independent non-executive directors of the Company, so as to give advice to independent shareholders in respect of the Incentive Scheme and the proposed grant to connected person(s);
“Independent Financial Advisor”	the independent financial advisor appointed by the Company, being a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Hong Kong laws);
“Independent Shareholders”	Shareholders other than shareholders who are Participants that are connected persons of the Company;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“Lock-up Period”	the period during which the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, used as security, or for repayment of debts;
“Notice”	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Schemes by State-Owned Listed Companies (Guo Zi Fa Fen Pei [2008] No. 171) (關於規範國有控股上市公司實施股權激勵制度有關問題的通知(國資發分配[2008]171號));
“Participant(s)”	the Directors, Senior Management personnel, Middle Management personnel and Frontline leaders of the Company (including subsidiaries and branches) to be granted the Restricted Shares under the Incentive Scheme;
“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 Grant”	the proposed grant of an amount not exceeding 30,000,000 Restricted A Shares to the Participants pursuant to the Incentive Scheme;
“Reserved Grant”	the proposed grant of an amount not exceeding 1,000,000 Restricted A Shares to the Participants pursuant to the Incentive Scheme;根據激勵計劃向激勵對象預留授予1,000,000股限制性股票;
“Restricted Share(s)”/” Target Shares”	the A shares granted to the Participants according to the conditions and price stipulated under the Incentive Scheme which are subject to the Lock-up Period and can only be unlocked and transferred after satisfactory with the unlock conditions;
“RMB”	Renminbi, the lawful currency of the PRC;
“Securities Law”	the Securities Law of the PRC;
“Share(s)”	the share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, including A Share(s) and H Share(s);

“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	Shanghai Stock Exchange;
“Trial Measures”	the Trial Measures on Implementation of Share Incentive Schemes by State-Owned Listed Companies (Domestic) (Guo Zi Fa Fen Pei [2006] No. 175) (國有控股上市公司(境內)實施股權激勵試行辦法(國資發分配[2006]175號));
“Unlocking Period”	the period during which the Restricted Shares held by the Participants can be unlocked and transferred after all the Unlocking Conditions prescribed under the Incentive Scheme are satisfied;
“Unlocking Condition(s)”	the conditions prescribed under the Incentive Scheme which have to be satisfied to unlock the Restricted Shares granted to the Participants;
“Validity Period”	the period commencing on the date of the completion of the registration of the Restricted Shares and ending on the date when all the Restricted Shares are unlocked or repurchased and cancelled;
“%”	per cent.

By Order of the Board
Dongfang Electric Corporation Limited
Zou Lei
Chairman

Chengdu, Sichuan, the People’s Republic of China
5 September 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*