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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 FIRST 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; and (vii) the announcement dated 22 November 2019 in relation to the First Grant of 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. FIRST GRANT OF RESTRICTED SHARES

The actual First Grant under the Incentive Scheme is as follows:

1. Grant Date: 22 November 2019
2. Number of the Restricted Shares granted: 27,988,699
3. Number of Participants: 780
4. Grant Price: RMB5.93 per Share
5. Source of shares: the ordinary A Shares issued by the Company to the Participants
6. Validity Period, Lock-Up Periods, 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 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) 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 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.

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 \triangle EVA for 2020 is positive.</p>

Unlocking Period	Performance targets
The Second Unlocking Period	<p>(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;</p> <p>(2) The return on net assets for 2021 shall not be less than 4.5% and not lower than industry average level; and</p> <p>(3) The Δ EVA for 2021 is positive.</p>
The Third Unlocking Period	<p>(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;</p> <p>(2) The return on net assets for 2022 shall not be less than 5% and not lower than industry average level; and</p> <p>(3) The Δ EVA for 2022 is positive.</p>

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 individual level

During the Validity Period of the Incentive Scheme, the Company will make an appraisal on annual performance of the Participants in accordance with the current 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 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".

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.

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 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.

7. List of Participants and the First Grant

In the process of funds payment following the determination of Grant Date, 20 Participants waived their rights to subscribe for the Restricted Shares due to personal reasons and the Company cancelled 1,011,301 Restricted Shares that were not granted to the above Participants. Accordingly, the number of Participants of the First Grant was adjusted from 800 to 780 and 27,988,699 Shares were granted thereunder. The details are as follows:

Name	Position	Number of Restricted Shares granted (Unit: '0,000 Shares)	Proportion in the total Restricted Shares granted	Proportion in the total share capital as at the Date of First Grant
Gong Dan	Secretary to the Board	15	0.536%	0.0048%
Gao Feng	Vice President	15	0.536%	0.0048%
Chen Huan	Vice President	15	0.536%	0.0048%
Mid-level management and frontline leaders (777 persons in total)		2,753.8699	98.39%	0.8829%
Total (780 persons for the First Grant)		2,798.8699	100.00%	0.8974%

Notes:

- (1) The total number of target shares to be granted under the Incentive Scheme during the validity period will not exceed 10% of the Company's total share capital, 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.
- (2) The above figures shown as totals may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

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

(i) Time and Amount of Subscription under the First Grant

As verified by BDO China Shu Lun Pan Certified Public Accountants LLP, as at 19 December 2019, the Company received RMB165,972,988.00 in cash paid by the 780 Participants.

(ii) Capital Verification Conducted by BDO China Shu Lun Pan Certified Public Accountants LLP on the First Grant

As verified by BDO China Shu Lun Pan Certified Public Accountants LLP, as at 19 December 2019, the Company has received the capital increase of RMB165,972,988.00 paid by the Participants under the First Grant of the Incentive Scheme. The above payments are deposited in the RMB account (Account No.: 4402205229100059440) opened by the Company at Chengdu DEC Branch of Industrial and Commercial Bank of China Co., Ltd. Among them, the newly registered capital (share capital) of RMB27,988,699.00, the capital increase exceeds the registered capital (share capital) part of RMB137,984,289.00 which included in the capital reserve (share premium), the newly paid-in capital (share capital) accounted for 100% of the newly registered capital.

The number of Restricted Shares granted for the First Grant under the Incentive Scheme was 27,988,699 Shares, the source of which is the private placement of Shares by the Company, the total number of Shares of the Company after this change is 3,118,792,130 Shares. The monetary contribution paid by the Participants in aggregate under the First Grant of the Incentive Scheme was RMB165,972,988.00, of which the number of shares subscribed was 27,988,699 shares, accounting for 96.51% of the total amount of the First Grant originally anticipated under the Incentive Scheme.

III. REGISTRATION OF RESTRICTED SHARES

The 27,988,699 Restricted Shares granted under the First Grant have been registered and the registration was completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 7 January 2020.

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

Upon completion of the First Grant under the Incentive Scheme, the total number of Shares of the Company increased from 3,090,803,431 Shares to 3,118,792,130 Shares. Before the First Grant, the controlling shareholder of the Company was Dongfang Electric Corporation, with a shareholding of 55.91%. After the First Grant, Dongfang Electric Corporation remains the controlling shareholder of the Company, with a shareholding of 55.40%. The First Grant will not result in any changes in control over the Company.

V. CHANGES IN THE SHAREHOLDING STRUCTURE

Unit: Share(s)

Class	Before the Change		Change	After the Change	
	Number (Share)	Proportion (%)		Number (Share)	Proportion (%)
Shares subject to selling restrictions	753,903,063	24.39%	27,988,699	781,891,762	25.07%
Shares not subject to Selling restrictions	<u>2,336,900,368</u>	<u>75.61%</u>	<u>–</u>	<u>2,336,900,368</u>	<u>74.93%</u>
Total	<u><u>3,090,803,431</u></u>	<u><u>100.00%</u></u>	<u><u>27,988,699</u></u>	<u><u>3,118,792,130</u></u>	<u><u>100.00%</u></u>

VI. PLAN ON THE USE OF PROCEEDS

The proceeds raised by the Company from 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 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 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 Grant Date and the Grant Price shall be taken by the Company as the cost of the share-based payment per Restricted Share; and the share-based payment expenses under the Incentive Scheme shall be determined eventually. The incentive costs incurred from the Incentive Scheme will be charged to the recurring gain or loss.

At the Grant Date, the cost of the share-based payment for each Restricted Share is equal to the closing price of the A shares less the Grant Price, being RMB2.83. According to the calculation, the impact of the First Grant of Restricted Shares on the accounting costs incurred during each accounting period are as follows:

Number of Restricted Shares granted for the First Grant (0'000)	Total costs (RMB0'000)	2019 (RMB0'000)	2020 (RMB0'000)	2021 (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)
2,798.8699	7,920.80	309.86	2,860.29	2,717.28	1,444.81	588.56

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 Scheme on the operation performance of the Company, the amortization of the costs of the 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 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 Scheme shall far exceed the increase of costs incurred by the Scheme.

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

Chengdu, Sichuan, the PRC
9 January 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*