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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)

**CONTINUING CONNECTED TRANSACTION
REVISION OF ANNUAL CAPS FOR
2022 PROPERTIES AND EQUIPMENT LESSOR
FRAMEWORK AGREEMENT
AND
2022 COMBINED ANCILLARY SERVICES
FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 8 December 2021, that the Company entered into the 2022 DEC Framework Agreements with DEC Group. In particular, (i) pursuant to the 2022 Properties and Equipment Lessor Framework Agreement, the Company shall lease real estate properties (such as office premises), factories, warehouse, land and equipment relating to the business of DEC Group to DEC Group and ensure that DEC Group has uninterrupted and legally exclusive right to use them within the lease term; and (ii) pursuant to the 2022 Combined Ancillary Services Framework Agreement, among others, DEC shall, and shall procure that other members of DEC Group shall, provide the following ancillary services to the Group: medical services, cleaning services, employee management services, nursery services, management services for retired employees, educational services, training services, and other ancillary services.

REVISION OF ANNUAL CAPS

Based on the Resolution Regarding the Optimisation of Shared Service Management System (《優化共享服務管理體系方案》) approved by the Board on 31 March 2023 (the “**Resolution**”), DEC Group would have to provide the Company with additional combined ancillary services such as news, finance, legal and information technology services, and the Company would have to provide DEC Group with additional leasing services of intangible assets, such as software and information systems. Moreover, based on the Resolution, it is expected that there will be significant increase in the amount of properties and equipment leased by the Company to DEC Group as well as the ancillary services provided by the DEC Group to the Group. As such, the Directors are of the view that the respective annual caps for FY2023 and FY2024 under 2022 Properties and Equipment Lessor Framework Agreement and 2022 Combined Ancillary Services Framework Agreement will not be sufficient in view of the business needs of the Group.

On 15 November 2023, the Board approved the “Proposal on revising the FY2023 and FY2024 daily continuous connected transactions annual caps”. On the same date, the Company entered into the Supplemental Properties and Equipment Lessor Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement with DEC to revise the respective annual caps for FY2023 and FY2024 thereunder.

Save for (i) the revision of the annual cap under 2022 Properties and Equipment Lessor Framework Agreement from RMB2 million to RMB18 million for each of FY2023 and FY2024; (ii) the revision of the annual cap under 2022 Combined Ancillary Services Framework Agreement from RMB6 million to RMB70 million for FY2023 and from RMB6 million to RMB130 million for FY2024 respectively; and (iii) the amendment of leasing items under 2022 Properties and Equipment Lessor Framework Agreement, all other terms and conditions under the 2022 Properties and Equipment Lessor Framework Agreement and 2022 Combined Ancillary Services Framework Agreement remain unchanged.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, DEC is a controlling shareholder of the Company, holding approximately 55.41% of the total issued shares of the Company, therefore DEC is a connected person of the Company as defined under the Hong Kong Listing Rules. As such, the Supplemental Properties and Equipment Lessor Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement, and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company has entered into the Supplemental Properties and Equipment Lessor Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement to revise the annual caps for the continuing connected transactions. Therefore, the Company shall comply with the provisions on continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio calculated in respect of the revised annual caps under the Supplemental Properties and Equipment Lessor Framework Agreement is less than 0.1% and hence fall within the de minimis threshold as stipulated under Rule 14A.76 of the Hong Kong Listing Rules, it is therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Hong Kong Listing Rules.

As the highest applicable percentage ratio calculated in respect of the revised annual caps under the Supplemental Combined Ancillary Services Framework Agreement exceeds 0.1% but is less than 5%, the related transaction is subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 8 December 2021, that the Company entered into the 2022 DEC Framework Agreements with DEC Group. In particular, (i) pursuant to the 2022 Properties and Equipment Lessor Framework Agreement, the Company shall lease real estate properties (such as office premises), factories, warehouse, land and equipment (such as hot and cold island facilities and tooling for use in the solar energy engineering technology) relating to the business of DEC Group to DEC Group and ensure that DEC Group has uninterrupted and legally exclusive right to use them within the lease term; and (ii) pursuant to the 2022 Combined Ancillary Services Framework Agreement, among others, DEC shall, and shall procure that other members of DEC Group shall, provide the following ancillary services to the Group: medical services, cleaning services, employee management services, nursery services, management services for retired employees, educational services, training services, and other ancillary services.

Based on the Resolution, DEC Group would have to provide the Company with additional combined ancillary services such as news, finance, legal and information technology services, and accordingly, the Company would have to provide DEC Group with additional leasing services of intangible assets, such as software and information systems. Moreover, based on the Resolution, it is expected that there will be significant increase in the amount of properties and equipment leased by the Company to DEC Group as well as the ancillary services provided by the DEC Group to the Group. As such, the Directors are of the view that the respective annual caps for FY2023 and FY2024 under 2022 Properties and Equipment Lessor Framework Agreement and 2022 Combined Ancillary Services Framework Agreement will not be sufficient in view of the business needs of the Group.

On 15 November 2023, the Board approved the “Proposal on revising the FY2023 and FY2024 daily continuous connected transactions annual caps”. On the same date, the Company entered into the Supplemental Properties and Equipment Lessor Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement with DEC to revise the respective annual caps for FY2023 and FY2024 thereunder.

Save for (i) the revision of the annual cap under 2022 Properties and Equipment Lessor Framework Agreement from RMB2 million to RMB18 million for each of FY2023 and FY2024; (ii) the revision of the annual cap under 2022 Combined Ancillary Services Framework Agreement from RMB6 million to RMB70 million for FY2023 and from RMB6 million to RMB130 million for FY2024 respectively; and (iii) the amendment of leasing items under 2022 Properties and Equipment Lessor Framework Agreement, all other terms and conditions under 2022 Properties and Equipment Lessor Framework Agreement and 2022 Combined Ancillary Services Framework Agreement remain unchanged.

SUPPLEMENTAL PROPERTIES AND EQUIPMENT LESSOR FRAMEWORK AGREEMENT

The principal terms of the Supplemental Properties and Equipment Lessor Framework Agreement are summarised as follows:

Date:

15 November 2023

Parties:

- (a) The Company; and
- (b) DEC

**2022 Properties and Equipment Lessor
Framework Agreement historical amount**

**For the ten
months ended
31 October 2023**
(RMB'000)
(Unaudited)

The total amount of properties and equipment leased by
the Company to DEC Group

—

Revision of annual caps and leasing items under the Supplemental Properties and Equipment Lessor Framework Agreement

Pursuant to the 2022 Properties and Equipment Lessor Framework Agreement, the Company shall lease real estate properties (such as office premises), factories, warehouse, land and equipment relating to the business of DEC Group to DEC Group. In view of the Resolution, it is expected that (i) there will be significant increase in the amount of properties and equipment leased by the Company to DEC Group, and (ii) the Company would have to provide DEC Group with additional leasing items, which are leasing services of intangible assets, such as software and information systems. As original leasing items stipulated under the 2022 Properties and Equipment Lessor Framework Agreement would not be sufficient to cover the leasing services of such intangible assets and the business needs of the Group, the following is therefore included as additional leasing items under the Supplemental Properties and Equipment Lessor Framework Agreement:

- intangible assets such as software and information systems.

In view of the expected significant increase in the amount of properties and equipment leased by the Company to DEC Group and such additional leasing items, the existing annual caps for FY2023 and FY2024 will not be sufficient to meet the Company's requirements for FY2023 and FY2024. Therefore, the Company has revised the existing annual caps for FY2023 and FY2024 as follows:

	Existing FY2023 Annual Cap	Revised FY2023 Annual Cap (RMB'000)	Existing FY2024 Annual Cap	Revised FY2024 Annual Cap
Maximum amount of properties and equipment leased to DEC Group	2,000	18,000	2,000	18,000

The Board has considered the following factors when revising the leasing items and the annual caps for FY2023 and FY2024:

- (a) in view of the Resolution, it is expected that there will be significant increase in the amount of properties and equipment leased by the Company to DEC Group; and
- (b) additional items such as intangible assets will be leased by the Company to DEC Group according to the Resolution.

SUPPLEMENTAL COMBINED ANCILLARY SERVICES FRAMEWORK AGREEMENT

The principal terms of the Supplemental Combined Ancillary Services Framework Agreement are summarised as follows:

Date:

15 November 2023

Parties:

- (a) The Company; and
- (b) DEC

**2022 Combined Ancillary Services
Framework Agreement historical amount**

**For the ten
months ended
31 October 2023**
(RMB'000)
(Unaudited)

The total amount of ancillary services provided by
the DEC Group to the Group

3,492

Revision of annual caps under the Supplemental Combined Ancillary Services Framework Agreement

Pursuant to the 2022 Combined Ancillary Services Framework Agreement, among others, DEC shall, and shall procure that other members of DEC Group shall, provide the following ancillary services to the Group: medical services, cleaning services, employee management services, nursery services, management services for retired employees, educational services, training services, and other ancillary services.

In view of the Resolution, it is expected that there will be significant increase in the amount of ancillary services provided by the DEC Group to the Group, and DEC Group would have to provide the Company with additional combined ancillary services such as news, finance, legal and information technology services, therefore, the existing annual caps for FY2023 and FY2024 will not be sufficient to meet the Company's requirements for FY2023 and FY2024. As such, the Company has revised the existing annual caps for FY2023 and FY2024 as follows:

	Existing FY2023 Annual Cap	Revised FY2023 Annual Cap	Existing FY2024 Annual Cap	Revised FY2024 Annual Cap
		(RMB'000)		
Maximum amount of ancillary services provided by the DEC Group to the Group	6,000	70,000	6,000	130,000

The Board has considered the following factors when revising the annual caps for FY2023 and FY2024:

- (a) in view of the Resolution, it is expected that there will be significant increase in amount of ancillary services provided by the DEC Group to the Group; and
- (b) additional combined ancillary services of DEC Group such as news, finance, legal and information technology services will be provided to the Company according to the Resolution.

REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAPS

According to the Resolution, Dongfang Electric Group (Chengdu) Share Services Co., Ltd* (東方電氣集團(成都)共享服務有限公司) (“**DEC Share Services**”), which is a subsidiary of DEC, is dedicated to being a professional shared service centre which providing back-end services, properties and assets management and file management to DEC and the Company. In view of that (i) comparing with other service providers, DEC Share Services has a close cooperation relationship with the Company and thus, regarding the services required by the Company, DEC Share Services demonstrates advantages in personnel capabilities, management and control processes and business security; and (ii) the carryout of relevant supporting service businesses of the Company can be ensured when the relevant services are provided by DEC Share Services, the Company believes that it is necessary to revise the annual caps under the 2022 Properties and Equipment Lessor Framework Agreement and 2022 Combined Ancillary Services Framework Agreement to be in line with the daily operation and business needs of DEC Group and the Company. Moreover, the Supplemental Properties and

Equipment Lessor Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement are conducted on normal commercial terms during the usual course of the Company's daily business, which are fair and reasonable, and the Supplemental Properties and Equipment Lessor Framework Agreement will increase the stable income of the Group and improve the financial performance of the Group.

INTERNAL CONTROL MEASURES

The Company has established connected transaction management policy (關聯交易管理辦法) (the “**CT Management Policy**”) to ensure that connected transactions will be conducted in a fair, equal and public manner, on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The office of the Board, the management unit of connected transactions of the Company, is responsible for overseeing the approval of connected transactions procedures, disclosure of the information of connected transactions and management of the operations of continuing connected transaction framework agreements. The corporate governance department is responsible for the management of continuing connected transaction framework agreements and the new connected transaction agreements that are not included in the framework agreements, and the filing and registration of associate. The finance department will summarise and categorise the specific amount occurred in the connected transaction agreements, and assist the auditor in auditing the summarized data of the connected transactions. Each member of the Group shall formulate respective measures on management of connected transactions which include specifying the department responsible for managing connected transactions, and for the report, operation, management and control of connected transactions of the respective member.

Where various units and controlled subsidiaries of the Company enter into continuing connected transaction agreements with the same associate (as defined under the Hong Kong Listing Rules) in consecutive years, the responsible department for managing connected transactions shall, at the last month of the year, estimate reasonably the accumulated maximum amount for similar connected transactions for the whole of next year on the same basis and propose to the office of the Board. The office of the Board will review together with the corporate governance department of the Company and finance department of the Company and report to the Board for consideration and approval in accordance with the relevant requirements of the CT Management Policy.

* for identification purpose only

Various units and controlled subsidiaries of the Company shall compile a report on the execution of connected transaction agreements for the last quarter and submit to the finance department of the Company within ten working days of the beginning of each quarter. The finance department of the Company will summarise and categorise and report to the office of the Board. The office of the Board will make specific management opinions and submit a Connected Transactions Operation Performance Report (關聯交易運行簡報), based on the performance of connected transactions to the Board (including independent non-executive directors) for consideration.

In order to ensure the terms of the continuing connected transactions under the 2022 Properties and Equipment Lessor Framework Agreement, 2022 Combined Ancillary Services Framework Agreement, Supplemental Properties and Equipment Lessor Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement are fair and reasonable and proceed in accordance with normal commercial terms, the Group has adopted the following internal control procedures:

Currently all services under the 2022 Combined Ancillary Services Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement are provided at government-prescribed price or market price to ensure that the prices of ancillary services provided by DEC or DEC Group to the Group are not less favourable than those provided by independent third parties. The market price determined through negotiation between the parties will be within prescribed price range in accordance with the Company's internal sales policy. The market price will be determined or approved by the authorised department of the Group in relation to the particular transaction.

DEC agreed that any member of DEC Group shall provide services to the members of the Company according to the requirements of the agreement on terms and conditions which are not less favourable than that for provision of the same or similar services by such member of DEC Group to any independent third party or better if there are comparable independent third party transactions.

As far as the Properties and Equipment Lessor Framework Agreement and Supplemental Properties and Equipment Lessor Framework Agreement are concerned, the tender office (招標辦工室) of the Company will obtain at least 2 to 3 tenders to ensure that the leasing rents provided to DEC or DEC Group is not more favourable than those offered by independent third parties.

The market price will be determined within the prescribed price range in accordance with the Company's internal sales policy through negotiation between the parties. The market price will be determined or approved by the authorized department of the Group in relation to the particular transaction.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, DEC is a controlling shareholder of the Company, holding approximately 55.41% of the total issued shares of the Company, therefore DEC is a connected person of the Company as defined under the Hong Kong Listing Rules. As such, the Supplemental Properties and Equipment Lessor Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement, and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company has entered into the Supplemental Properties and Equipment Lessor Framework Agreement and Supplemental Combined Ancillary Services Framework Agreement to revise the annual caps for the continuing connected transactions. Therefore, the Company shall comply with the provisions on continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio calculated in respect of the revised annual caps under the Supplemental Properties and Equipment Lessor Framework Agreement is less than 0.1% and hence fall within the de minimis threshold as stipulated under Rule 14A.76 of the Hong Kong Listing Rules, it is therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of the Hong Kong Listing Rules.

As the highest applicable percentage ratio calculated in respect of the revised annual caps under the Supplemental Combined Ancillary Services Framework Agreement exceeds 0.1% but is less than 5%, respectively, the related transaction is subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

GENERAL INFORMATION

The Group

The Company is principally engaged in the manufacture and sales of large-scale complete sets of power generation equipment, engineering contracting and services business, etc.

The Company is principally engaged in the manufacture and sales of high efficiency and clean energy generation products, new energy generation products, hydro-electric power and environmental protection equipment and the provision of construction services for power stations.

DEC

DEC is a wholly state-owned company established in the PRC with limited liability in 1984. Its total registered and paid-up capital was RMB5,046,960,279.03. DEC is principally engaged in investment management and import and export business. According to the audited consolidated financial statements of DEC for the year ended 31 December 2022 prepared in accordance with the PRC accounting standard, its total asset value, net asset value, principle operating income and net profits were approximately RMB105,962.79 million, RMB38,494.70 million, RMB49,264.39 million and RMB2,862.22 million, respectively. DEC is a controlling shareholder of the Company, holding approximately 55.41% of the total issued shares of the Company as at the date of this announcement.

DEFINITIONS

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

“2022 Combined Ancillary Services Framework Agreement”	the conditional 2022 to 2024 combined ancillary services framework agreement dated 8 December 2021 and entered into between the Company and DEC in relation to the mutual provision of ancillary services between the Group and DEC Group
“2022 DEC Framework Agreements”	the 2022 Sales and Production Services Framework Agreement, the 2022 Properties and Equipment Lessee Framework Agreement, the 2022 Properties and Equipment Lessor Framework Agreement, the 2022 Combined Ancillary Services Framework Agreement, the 2022 Purchase and Production Services Framework Agreement and the 2022 Financial Services Framework Agreement
“2022 Properties and Equipment Lessor Framework Agreement”	the conditional 2022 to 2024 properties and equipment lessor framework agreement dated 8 December 2021 and entered into between the Company and DEC in relation to the lease of properties, production facilities and equipment by the Group to DEC Group
“A Shares”	the domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules

“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
“continuing connected transactions”	the transactions contemplated under the 2022 Combined Ancillary Services Framework Agreement and 2022 Properties and Equipment Lessor Framework Agreement which constitute continuing connected transactions of the Company within the meaning of the Hong Kong Listing Rules
“controlling shareholder”	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 established in the PRC with limited liability and the controlling shareholder of the Company
“DEC Group”	DEC and its associates (excluding members of the Group)
“Director(s)”	director(s) of the Company
“FY2023”	the financial year ending 31 December 2023
“FY2024”	the financial year ending 31 December 2024
“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 Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the shares of the Company, including A Shares and H Shares
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Dongfang Electric Corporation Limited
Feng Yong
Joint Company Secretary

Chengdu, Sichuan, the PRC
15 November 2023

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

Directors: *Yu Peigen, Song Zhiyuan, Liu Zhiquan, Zhang Jilie and Zhang Yanjun*

Independent Non-executive Directors: *Liu Dengqing, Huang Feng and Ma Yongqiang*