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## **TSINGTAO BREWERY COMPANY LIMITED**

*(a Sino-foreign joint stock limited company established in the People's Republic of China)*

**(Stock Code: 168)**

### **(1) PROPOSED ADOPTION OF THE RESTRICTED A SHARE INCENTIVE PLAN (DRAFT) (2) CONNECTED TRANSACTIONS**

#### **PROPOSED ADOPTION OF THE RESTRICTED A SHARE INCENTIVE PLAN (DRAFT)**

The Board is pleased to announce that, on 23 March 2020, the Board approved the proposed adoption of the Restricted A Share Incentive Plan (Draft). The Incentive Plan shall become effective upon approval of SASACQ as well as consideration and approval of the General Meeting and the Class Meetings of the Company. Before the General Meeting and the Class Meetings of the Company are held for approval of the Incentive Plan, the Company may make certain amendments to the Incentive Plan upon the request of the regulatory authorities of the PRC and/or Hong Kong.

#### **LISTING RULES IMPLICATIONS**

As certain Participants of the First Grant are the Company's Directors, they are connected persons of the Company. The grant of Restricted Shares to those persons will constitute non-exempt connected transactions of the Company which are subject to reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **GENERAL MEETING AND CIRCULAR**

Shareholders' approval will be sought at the General Meeting and Class Meetings to approve, among other things, the Incentive Plan and the grant of Restricted Shares to the connected persons of the Company. The exact time of the General Meeting and Class Meetings will be determined when appropriate after the Company has obtained the approval from SASACQ. A circular containing, among other things, (i) terms of the Incentive Plan, (ii) a letter to the Independent Board Committee and Independent Shareholders from the Independent Financial Advisor, which contains the opinion of the Independent Financial Advisor on the Company's proposed grant plan to the Participants who are connected persons; (iii) the recommendation of the Independent Board Committee as to whether to approve the Company's proposed grant plan to the Participants who are connected persons; (iv) the notice of the General Meeting of the Company and (v) the notice of the Class Meetings of the Company, will be despatched to the Shareholders as soon as practicable.

### **I. PURPOSE OF THE INCENTIVE PLAN**

In 2006, according to the share reform plan of the Company, the Company's non-tradable shareholders promised that after the completion of the share trading reform, the former state-controlled Shareholder SASACQ would suggest the Board to formulate a long-term incentive plan which includes a share incentive plan. On 25 June 2014, as notified by the Company's controlling Shareholder Tsingtao Group, in order to align the interests of the management with the interests of the Company and Shareholders and comply with the promise made during the share reform and regulatory requirements, Tsingtao Group will urge the listed company to propose a long-term incentive plan for the management before the end of June 2020 in accordance with the requirements of the relevant laws and regulations.

In accordance with its actual operation and development situation and, at the same time, in order to further improve the corporate governance structure of the Company, promote the establishment and improvement of the incentive mechanism of the Company, fully mobilize the enthusiasm, sense of responsibility and mission of the Company's Directors, senior management personnel, other core management personnel of the Company, middle management personnel and core personnel, effectively align the interests of the Shareholders, Company with the individual interests of the Participants to focus on and work collectively for the long-term development of the Company, the Incentive Plan is formulated in accordance with the requirements under the Company Law, Securities Law, Administrative Measures, Trial Measures and Notice etc. as well as the current management systems of the Company including the remuneration system and performance evaluation system.

The Incentive Plan adheres to the following principles:

1. being lawful, open and transparent, and complying with 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 benefiting the Company's sustainable development;
3. combining incentives with constraints, making risks commensurate with returns and reasonably strengthening the magnitude of incentives for the management personnel of the Company; and
4. being practicable and standardized, rolling out step by step and improving constantly.

## **II. SHARE INCENTIVE METHOD AND SOURCE OF TARGET SHARES**

The incentive tool of the Incentive Plan is Restricted Shares and the source of the shares is from the issuance of the Company's A shares ordinary shares to the Participants.

## **III. NUMBER OF SHARES TO BE GRANTED**

13,500,000 Restricted Shares is proposed to be granted to the Participants under the Incentive Plan, accounting for approximately 0.9993% of the Company's total share capital of 1,350,982,795 shares as at the date of this announcement. Specifically, 13,200,000 Restricted Shares will be granted under the First Grant, accounting for approximately 0.9771% of the Company's total share capital of 1,350,982,795 shares as at the date of this announcement; and 300,000 shares will be reserved, accounting for approximately 0.0222% of the Company's total share capital of 1,350,982,795 shares as at the date of this announcement. The Reserved Grant accounts for approximately 2.22% of the total shares under the present grant.

The total number of A shares to be granted to the Participants under the Incentive Plan does not exceed 1% of the Company's current total share capital, and the total number of Target Shares to be granted under all effective incentive plan of the Company does not exceed 10% of the total share capital of the Company as at the date when the Incentive Plan is submitted to the general meeting.

## **IV. THE SCOPE OF THE PARTICIPANTS AND THEIR RESPECTIVE SHARES TO BE GRANTED**

### **(I) Basis for determining the Participants**

#### **1. *Legal basis for determining the Participants***

The Participants of the Incentive Plan are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the Trial Measures, the Notice etc. 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 the Participants in the Company***

The Participants under the Incentive Plan shall include the Directors, senior management personnel, other core management personnel of the Company, middle management personnel and core personnel of the Company (excluding non-executive Directors, independent Directors and supervisors).

The determination of the Participants aligns with the aim of implementing the Incentive Plan and is in accordance with the requirements pursuant to the relevant laws and regulations.

### **(II) Participants to be covered**

The total number of Participants proposed at the First Grant under the Incentive Plan shall not exceed 660, which represents 1.68% of the total 39,320 employees of the Company as at the end of 2018, specifically including:

1. the Directors and senior management personnel of the Company (excluding non-executive Directors, independent Directors and supervisors);
2. other core management personnel of the Company; and
3. middle management personnel of the Company and core personnel of the Company.

The Directors and senior management personnel of the Company among the above Participants were elected at the general meetings of the Company or hired by the Board. All Participants must be employed or hired by the Company or its subsidiaries during the Validity Period of the Incentive Plan.

All Participants of the Incentive Plan cannot participate in the share incentive plans of other listed companies at the same time and those who have already participated in the share incentive plans of any other listed companies must not participate in the Incentive Plan.

The Participants for the reserved shares to be granted shall be determined within 12 months from the date on which the Incentive Plan is considered and approved at the general meeting and class meetings. 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 advisers, the Company shall promptly and accurately disclose the relevant information on such Participants on the designated website pursuant to the relevant requirements. The reserved entitlements shall become invalid where the Participants for the Reserved Grant are not determined after 12 months from the aforesaid date. The basis for determining the Participants of the Reserved Grant shall be ascertained with reference to the basis of the First Grant.

### (III) Allocation of the Restricted Shares to be granted to the Participants

Subject to the results of the Company's internal announcement of the name and position of the Participants, the allocation of the Restricted Shares to be granted under the Incentive Plan among all the Participants is set out in the table below: (the following percentage calculation results are rounded data)

No.	Name	Position	Amount to be granted (0'000 shares)	Proportion in the total no. of shares to be granted	Proportion of Target Shares in the total share capital
1	Huang Ke Xing	Chairman and the Secretary of the Party Committee	15.00	1.11%	0.0111%
2	Yu Zhu Ming	Executive Director and Chief Financial Officer	11.00	0.81%	0.0081%
3	Wang Rui Yong	Executive Director and Vice President of the Company	11.00	0.81%	0.0081%
4	Cai Zhi Wei	President of Marketing Department	13.00	0.96%	0.0096%
5	Jiang Zong Xiang	Vice President of the Company and President of the Supply Chain Department	11.00	0.81%	0.0081%
6	Xu Nan	Vice President of the Company, President of Manufacturing Center and the Chief Brewer	11.00	0.81%	0.0081%

No.	Name	Position	Amount to be granted (0'000 shares)	Proportion in the total no. of shares to be granted	Proportion of Target Shares in the total share capital
7	Wang Shao Bo	Vice President of the Company	11.00	0.81%	0.0081%
8	Zhang Rui Xiang	Secretary of the Board	9.00	0.67%	0.0067%
Other core management personnel of the Company, middle management personnel and core personnel (Total: 652 people)			1,228.00	90.96%	0.9090%
Reserved Grant			30.00	2.20%	0.0222%
Total			1,350.00	100.00%	0.9993%

Notes:

1. The Participants of the Incentive Plan do not participate in the share incentive plan of two or more listed companies. 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 do not participate in the Incentive Plan.
2. The total number of A shares to be granted to the Participants under the share incentive plan does not exceed 1% of the Company's current total share capital, and the total number of Target Shares to be granted under all effective Incentive Plan of the Company does not exceed 10% of the total share capital of the Company as at the date when the Incentive Plan is submitted to the general meeting.
3. Any difference between the figures shown as totals and the sum of the corresponding figures above results from the rounding of the above data.

Under the First Grant, the below Participants are the Directors of the Company, and therefore connected persons of the Company. The details of the Restricted Shares to be granted to them are as below:

No.	Name	Position	Amount to be granted (10,000 shares)	Proportion in the total no. of shares to be granted	Proportion of Target Shares in the total share capital
1	Huang Ke Xing	Chairman and the Secretary of the Party Committee	15.00	1.11%	0.0111%
2	Yu Zhu Ming	Executive Director and Chief Financial Officer	11.00	0.81%	0.0081%
3	Wang Rui Yong	Executive Director and Vice President of the Company	11.00	0.81%	0.0081%
Total: 3 people			37.00	2.73%	0.0273%

## V. GRANT PRICE AND BASIS OF DETERMINING 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 shall be RMB21.73 per share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the Restricted Shares newly issued to the Participants by the Company at the price of RMB21.73 per share.

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

1. As prescribed by the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council and CSRC, the Grant Price of the Restricted Shares shall be determined according to principle of fair market, and the Grant Price shall be the higher of the following prices:

- (1) 50% of the average trading price of the A Shares on the last trading day immediately preceding the date of the announcement of the Incentive Plan (the total transaction value of the shares on the last trading day divided by the total transaction quantity of the shares on the last trading day), which is RMB19.47 per share;
- (2) 50% of the average trading price of the A Shares on the last 20 trading days immediately preceding the date of the announcement of the Incentive Plan (the total transaction value of the shares on the last 20 trading days divided by the total transaction quantity of the shares on the last 20 trading days), which is RMB21.27 per share.
- (3) 50% of the average closing price of the A Shares Target Shares on the last trading day immediately preceding the date of the announcement of the draft summary of the Incentive Plan, which is RMB19.67 per share;
- (4) 50% of the average closing price of the A Shares Target Shares on the last 30 trading days immediately preceding the date of the announcement of the draft summary of the Incentive Plan, which is RMB21.73 per share.

The Grant Price of the Restricted Shares under the First Grant is RMB21.73 per share.

### **(III) Basis for determination of the Grant Price of the Restricted Shares under the Reserved Grant**

The Grant Price of the Restricted Shares under the Reserved Grant is RMB21.73 per share, which is the same as the Restricted Shares under the First Grant.

## **VI. LOCK-UP PERIODS AND UNLOCKING ARRANGEMENTS**

### **(I) Lock-up Period**

The Lock-up Period of the Restricted Shares granted under the Incentive Plan shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the Restricted Shares under the corresponding grant. The Restricted Shares granted to the Participants under the Incentive Plan shall not be transferred, pledged or used for repayment of debt during the Lock-up Period.

### **(II) Unlocking Period and unlocking arrangements**

The Unlocking Period takes place after the expiry of the Lock-up Period, and unlocking schedule and arrangements for the Restricted Shares granted under the Incentive Plan are set out in the table below:

<b>Unlocking Period</b>	<b>Unlocking Time</b>	<b>Proportion of unlocking shares in the total shares granted</b>
First Unlocking Period	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
Second Unlocking Period	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



<b>Unlocking Period</b>	<b>Unlocking Time</b>	<b>Proportion of unlocking shares in the total shares granted</b>
Third Unlocking Period	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 expiry of the Lock-up Period, the Company will handle the unlocking arrangements for the Participants who have satisfied the Unlocking Conditions. The Restricted Shares held by the Participants who fail to satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

Notwithstanding the aforementioned stipulations, at the last unlocking of Restricted Shares of the Incentive Plan, 20% of the total Restricted Shares (and the dividends distributed to those shares (if any)) held by the Directors or senior management personnel shall be locked up until the expiry of his/her term of office and the unlocking of which would be subject to his/her performance appraisal or the results of economic duty audit during his/her term of office.

## **VII. CONDITIONS OF GRANT AND UNLOCKING OF RESTRICTED SHARES**

### **(I) Conditions of grant of Restricted Shares**

The Restricted Shares will be granted to the Participants upon all of the following conditions are satisfied:

1. There is no occurrence of any of the following events on the part of the Company:
  - (1) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant in respect of the financial report of the Company for its most recent accounting year;
  - (2) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant in respect of the internal control of the financial report of the Company for its most recent accounting year;

- (3) failure to conduct profit distribution 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 incentive plan by laws and regulations;
  - (5) any other circumstances as determined by the CSRC.
2. There is no occurrence of any of the following events on the part of the Participants:
  - (1) being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
  - (2) being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
  - (3) imposition of administrative penalties or measures prohibiting the Participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material breach of laws and regulations;
  - (4) circumstances under which the Participant is prohibited from acting as a director or a member of the senior management of a company under the Company Law;
  - (5) circumstances under which the Participant is not allowed by the laws and regulations to participate in any share incentive plan of a listed company;
  - (6) any other circumstances as determined by the CSRC.
3. The Company achieves the performance target if all of the following conditions are satisfied:
  - (1) the growth rate of the net profit of the Company for 2018 shall not be less than 10%;
  - (2) the weighted average return on net assets of the Company for 2018 shall not be lower than 7.5% and not lower than the 50th percentile of the benchmarking companies;
  - (3) the proportion of the Company's income from principal business to operating income for 2018 shall not be less than 90%.

## **(II) Unlocking conditions for Restricted Shares**

The Restricted Shares granted to a Participant can be unlocked when all of the following conditions are satisfied:

1. There is no occurrence of any of the following events on the part of the Company:
  - (1) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant in respect of the financial report of the Company for its most recent accounting year;
  - (2) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant in respect of the internal control of the financial report of the Company for its most recent accounting year;
  - (3) failure to conduct profit distribution 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 incentive plan by laws and regulations;
  - (5) any other circumstances as determined by the CSRC.
2. There is no occurrence of any of the following events on the part of the Participants:
  - (1) being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
  - (2) being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
  - (3) imposition of administrative penalties or measures prohibiting the Participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material breach of laws and regulations;
  - (4) circumstances under which the Participant is prohibited from acting as a director or a member of the senior management of a company under the Company Law;
  - (5) circumstances under which the Participant is not allowed by the laws and regulations to participate in any share incentive plan of a listed company;
  - (6) any other circumstances as determined by the CSRC.

3. The performance target requirements of the Company

The Restricted Shares in the Incentive Plan shall be appraised and unlocked on a yearly basis during the three accounting years of the Unlocking Periods. Achieving the performance target requirements would be the unlocking conditions of the Participants.

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

<b>Unlocking Periods</b>	<b>Performance targets</b>
First Unlocking Period	<p>(1) The return of the net assets of the Company for 2020 shall not be less than 8.1% and not lower than the average return of the companies from the same industry or the 75th percentile of the benchmarking companies.</p> <p>(2) On the basis of the average net profit for 2016-2018, the growth rate of the net profit of the Company for 2020 shall not be less than 50% and the increase in net profit of current year from the average net profit growth rate for 2016-2018 shall not be lower than the sum of growth in net profit of the benchmarking companies.</p> <p>(3) the proportion of the Company's income from principal business to operating income for 2020 shall not be less than 90%.</p>
Second Unlocking Period	<p>(1) The rate of return on the net assets of the Company for 2021 shall not be less than 8.3% and not lower than the average return of the companies from the same industry or the 75th percentile of the benchmarking companies.</p> <p>(2) On the basis of the average net profit for 2016-2018, the growth rate of the net profit of the Company for 2021 shall not be less than 70% and the increase in net profit of current year from the average net profit growth rate for 2016-2018 shall not be lower than the sum of growth in net profit of the benchmarking companies.</p> <p>(3) the proportion of the Company's income from principal business to operating income for 2021 shall not be less than 90%.</p>

Unlocking Periods	Performance targets
Third Unlocking Period	<p>(1) The rate of return on the net assets of the Company for 2022 shall not be less than 8.5% and not lower than the average return of the companies from the same industry or the 75th percentile of the benchmarking companies.</p> <p>(2) On the basis of the average net profit for 2016-2018, the growth rate of the net profit of the Company for 2022 shall not be less than 90% and the increase in net profit of current year from the average net profit growth rate for 2016-2018 shall not be lower than the sum of growth in net profit of the benchmarking companies.</p> <p>(3) the proportion of the Company's income from principal business to operating income for 2022 shall not be less than 90%.</p>

Companies from the same industry are those A share listed companies in beer manufacturing industry. Benchmarking companies are listed companies with comparable data in the alcohol and beverage wine manufacturing industry in accordance with the “Guidelines for the Industry Classification of Listed Companies” (上市公司行業分類指引) issued by the CSRC.

The abovementioned “growth rate of the net profit” and “rate of return on net assets” are based on the net profit attributable to the shareholders of the listed company deducted by the shares payment expenses of the Incentive Plan as the basis for calculation. In case of additional issuance or allotment of shares or other actions taken that would result in a change in the net assets, such newly increased net asset shall be excluded from the calculation of the net assets of that year.

In the event that the annual performance targets of the Company are not achieved, all Restricted Shares held by the Participants that may be unlocked in that year shall not be unlocked and shall be repurchased and cancelled by the Company.

(2) Selection of benchmarking companies in respect of the grant and unlocking

The benchmarking companies are selected in accordance with the “Guidelines for the Industry Classification of Listed Companies” (上市公司行業分類指引) issued by the CSRC and are 6 A share listed companies whose principal businesses are beer manufacturing industry under the category of alcohol and beverage wine manufacturing industry.

Stock Code	Stock Short Name
000729.SZ	YANJING BREWERY
000752.SZ	*ST TIBET DEV
000929.SZ	LANZHOU HUANGHE
002461.SZ	ZHUJIANG BREWERY
600132.SH	CHONGQING BREWERY
600573.SH	HUIQUAN BREWERY

If there are significant changes in the principal business of or extreme values with excessive performance variation in the benchmarking companies during the annual appraisal, the benchmarking samples will be removed or replaced by the Board during the year-end assessment.

4. The performance appraisal requirements of the individual

The Company formulated the assessment management measures to regulate the performance appraisal of the Participants in each assessment year.

Results of appraisal are determined based on the individual performance appraisal indicators. In principle, the performance appraisal results are categorised into four grades: “Excellent”, “Good”, “Fair” and “Fail”. The details are as follows:

Results of appraisal	Excellent	Good	Fair	Fail
Performance grade	A	B+	B-	C

In addition, if the person to be appraised violates laws and regulations and the Company’s rules and regulations during the appraisal period, the results of the appraisal would be “Fail”. If the person to be appraised causes safety or any 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 results of the appraisal would be “Fail”.

On the premise that the Company meets the performance targets, according to the performance appraisal of the individuals, the Participants can only apply for unlocking of the Restricted Shares in that unlocking period if their results of appraisal during the assessment period are “Fair” or above. Otherwise, the Restricted Shares of that current period shall be repurchased and cancelled by the Company.

### **(III) Justification on the formulation of appraisal indicators**

The appraisal indicators of the Incentive Plan are divided into two levels: performance appraisal at the Company’s level and the performance appraisal at the individual level.

The appraisal indicators at the Company’s level are the rate of return on net assets, growth rate of the net profit and the proportion of income from principal business to operating income. The rate of return on net assets reflects the level of the Shareholders’ equity, which can measure the efficiency of the Company’s use of its own capital. The growth rate of the net profit reflects the profitability and market value of an enterprise. The proportion of income from principal business to operating income reflects the operating results of the principal business of the Company. The three appraisal indicators can establish a better image of the capital market.

The individual performance appraisal system formulated by the Company can make a more accurate and comprehensive evaluation of the work performance of the Participants.

In conclusion, the setting of the appraisal indicators of the Company has fully considered the operating environment and future development planning of the Company and the appraisal indicators are set reasonably.

## **VIII. VALIDITY PERIOD, GRANT DATE, LOCK-UP PERIODS, UNLOCKING ARRANGEMENTS AND BLACK-OUT PERIODS OF THE INCENTIVE PLAN**

### **(I) Validity Period of the Incentive Plan**

The Incentive Plan is the first phase of the plan, the Validity Period shall be calculated from the date of registration of the Restricted Shares at the First Grant and the maximum period shall not exceed 6 years. Each subsequent phase of share incentive plan shall be considered and approved by the Board and the general meeting of the Company, and shall only be implemented after it has been approved by the SASACQ (or its authorised institution).

## **(II) Grant Date of the Incentive Plan**

The relevant resolutions in relation to the Incentive Plan as approved by the Board of the Company at the 2020 third extraordinary meeting of the ninth session of the Board held on 23 March 2020 must be approved by the SASACQ and submitted to the general meeting of the Company for consideration and approval and the relevant resolutions as approved at that Board Meeting do not constitute a grant of Restricted Shares to Participants as mentioned in this announcement. The Restricted Shares mentioned in this announcement shall only be granted after the Incentive Plan is considered and approved by SASACQ, general meeting as well as class meetings and, after which, be further formally considered and approved by the Board. The Grant Date shall at that time be determined by the Board. Before the aforementioned procedures are implemented, the Company has no right, whether conditionally or unconditionally, to grant any Restricted Shares or any other security interests or make any offer or grant any rights to the Participants. Subject to the implementation of the aforementioned procedures, the Company shall grant the Restricted Shares and complete the registration and announcement procedures within 60 days from the date on which the Incentive Plan is considered and approved at the general meeting and the class meetings. Unless as specified in the Incentive Plan, if the Company fails to complete the above work within 60 days, the implementation of the Incentive Plan will be terminated and the Restricted Shares which have not been granted will become invalid.

Notwithstanding the aforementioned stipulations, 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 6 months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law.

The Company shall not grant the Restricted Shares to the Participants during the following periods:

1. within 30 days prior to the announcement of the periodic reports of the Company, in the event of delay in publishing the announcements of annual report and interim report due to special reasons, the calculation shall start from the 30 days prior to the originally estimated date of publication and ends 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 stock exchange.

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

### **(III) The Lock-up Period and unlocking arrangements of the Incentive Plan**

The Lock-up Period of the Restricted Shares granted under the Incentive Plan shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the Restricted Shares under the corresponding grant. The Restricted Shares granted to the Participants under the Incentive Plan shall not be transferred, pledged or used for repayment of debt during the Lock-up Period.

The Unlocking Period takes place after the expiry of the Lock-up Period, and unlocking schedule and arrangements for the Restricted Shares granted are set out in the table below:

<b>Unlocking Period</b>	<b>Unlocking Time</b>	<b>Proportion of unlocking shares in the total shares granted</b>
First Unlocking Period	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
Second Unlocking Period	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
Third Unlocking Period	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 expiry of the Lock-up Period, the Company will handle the unlocking arrangements for the Participants who have satisfied the Unlocking Conditions. The Restricted Shares held by the Participants who fail to satisfy the Unlocking Conditions shall be repurchased and cancelled by the Company.

Notwithstanding the aforementioned stipulations, at the unlocking of final batch of Restricted Shares of the Incentive Plan, 20% of the total Restricted Shares (and the dividends distributed to those shares) held by the Directors or senior management personnel shall be locked up until the expiry of his/her term of office and the unlocking of which would be subject to his/her performance appraisal or the results of economic duty audit during his/her term of senior management office.

#### **(IV) Black-out provisions of the Incentive Plan**

The black-out periods refer to the periods during which the selling of the unlocked Restricted Shares is restricted. The black-out provisions of the Incentive Plan shall be implemented in accordance with the Company Law, the Securities Law, other relevant laws, regulations and regulatory documents, and the Articles of Association. The specific provisions are as follows:

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 of the Company held by him/her. He/she shall not transfer any of his/her shares within 6 months after leaving the office.
2. If a Participant, who is a Director or a member of senior management of the Company, disposes any shares of the Company within six months after the acquisition, or re-purchases within six months after disposition, the income derived therefrom shall belong to the Company and the Board will recover its income.
3. The reduction of shareholdings of the Participants should comply with the relevant requirements of “Several Provisions on Shareholding Reduction by Substantial Shareholders, Directors, Supervisors and Senior Executives of Listed Companies” (上市公司股東、董監高減持股份的若干規定), “Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies” (上海證券交易所上市公司股東及董事、監事、高級管理人員減持實施細則) etc.

4. If, during the Validity Period of the Incentive Plan, 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 requirements under the amended Company Law, the Securities Law, other relevant laws, regulations and regulatory documents and the Articles of Association for the transfer of his/her shares held by him/her.

## **IX. METHOD AND PROCEDURES FOR ADJUSTMENT TO THE NUMBER AND PRICE OF THE RESTRICTED SHARES**

### **(I) Method of adjusting the number of the Restricted Shares**

During the period from the date of the announcement of the Incentive Plan to the completion of registration of the Restricted Shares held by the Participants, if the Company conducts any capitalisation issue, bonus issue, share split, rights issue or consolidation of shares, 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:  $Q_0$  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);  $Q$  represents the number of Restricted Shares after the adjustment.

2. Rights issue

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

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $P_1$  represents the closing price as at the date of registration of share;  $P_2$  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);  $Q$  represents the number of Restricted Shares after the adjustment;

3. Consolidation of shares

$$Q = Q_0 \times n$$

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $n$  represents the ratio of consolidation of shares (i.e 1 share of the Company in consolidated to  $n$  shares);  $Q$  represents the number of Restricted Shares after the adjustment.

**(II) Method of adjusting the Grant Price of Restricted Shares**

In the event that, during the period from the date of the announcement of the Incentive Plan to the completion of registration of the Restricted Shares held by a Participant, the Company conducts any capitalisation issue, bonus issue, share split, dividend distribution, rights issue or consolidation of shares, 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:  $P_0$  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;  $P$  represents the Grant Price after adjustment.

2. Rights issue

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

Where:  $P_0$  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);  $P$  represents the Grant Price after adjustment;.

3. Consolidation of shares

$$P = P_0 \div n$$

Where:  $P_0$  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;  $P$  represents the Grant Price after adjustment;

4. Dividend distribution

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per share;  $P$  represents the Grant Price after adjustment. After adjustment,  $P$  must still be a positive figure.

**(III) In the event that the Company issues additional shares, the number and Grant Price of the Restricted Shares shall not be adjusted.**

**(IV) Adjustment Procedures for the Restricted Shares Incentive Plan**

The Board would determine the adjustment to the Grant Price and the number of the Restricted Shares when the foregoing circumstances occur. The Company shall engage a legal adviser to provide professional advice to the Board as to whether the aforementioned adjustment is in compliance with the Administrative Measures, the Articles of Association and the Incentive Plan.

**(V) In any event (except the foregoing circumstances) where it is necessary to adjust the the number of Restricted Shares and the Grant Price, the Company shall submit such adjustment for the consideration and approval by the shareholders in general meeting.**

**X. PROCEDURES OF IMPLEMENTATION OF THE RESTRICTED SHARES INCENTIVE PLAN**

(I) The nomination and remuneration committee of the Company is responsible for preparing the draft of the Incentive Plan. The nomination and remuneration committee has established sound procedural rules. The Board of the Company has approved the resolutions in relation to the Incentive Plan at the 2020 third extraordinary meeting of the ninth session of the Board held on 23 March 2020 and the Directors who are proposed as Participants abstained from voting. The relevant resolutions approved by the Board must be submitted to the general meeting of the Company for consideration and approval and the relevant resolutions do not constitute a grant of Restricted Shares to Participants as mentioned in this announcement.

(II) The Incentive Plan must be examined and approved by SASACQ and the Company will disclose the progress and results of approval in a timely manner in accordance with relevant requirements.

- (III) The Incentive Plan will be submitted to the general meeting and class meetings of the Company for consideration after obtaining the approval of SASACQ. When the Incentive Plan is voted at the general meeting and class meetings of the Company, the Independent Directors shall solicit proxy voting rights from all Shareholders regarding the Incentive Plan and the Company shall enable the A Shares shareholders to vote online at the same time when the Company provides on-site voting method.
- (IV) The Company can only grant the Restricted Shares to the Participants within the required period after the Incentive Plan is considered and approved by SASACQ, the Company's general meeting as well as class meetings and, after which, be further formally considered and approved by the Board as well as the fulfilment of assessment requirements of the Plan. The Grant Date shall at that time be determined by the Board. The Grant Date must be a trading day and comply with the relevant requirements. Before the aforementioned procedures are implemented, the Company has no right, whether conditionally or unconditionally, to grant any Restricted Shares or any other security interests or make any offer or grant any rights to the Participants.
- (V) Procedures for grant of the Restricted Shares and the unlocking procedures of the Participants

1. Grant of the Restricted Shares

- (1) After the Incentive Plan is considered and approved by SASACQ, the Company's general meeting as well as class meetings and, after which, be further formally considered and approved by the Board, the Company shall sign an agreement on the granting of Restricted Shares with the Participants to determine their respective rights and obligations. The Board shall handle the matters in relation to the grant of Restricted Shares in accordance with the authorisation of the general meeting.
- (2) Prior to the grant of shares to the Participants by the Company, the Board shall further consider and announce whether the Participants have satisfied the conditions of grant as set out in this Incentive Plan.

The Participants of the Reserved Grant shall be determined within 12 months after this Incentive Plan is considered and approved by the general meeting and class meetings. The reserved entitlements shall become invalid where the Participants of the Reserved Grant are not determined after 12 months.

- (3) The independent Directors and supervisory committee shall simultaneously issue clear opinions. The law firm shall issue legal opinions as to whether the Participants have satisfied the conditions of grant.

- (4) The supervisory committee shall verify the Grant Date of the Restricted Shares and the list of Participants and issue its opinions.
- (5) In the event of any discrepancy between the entitlements granted to Participants and the arrangements under the Incentive Plan, the independent Directors, supervisory committee (where there are changes to the Participants), law firm and the independent financial advisor (in the PRC) shall simultaneously issue clear opinions.
- (6) The Company can only grant the Restricted Shares to the Participants within the required period after the Incentive Plan is considered and approved by SASACQ, the Company's general meeting as well as class meetings and, after which, be further formally considered and approved by the Board. The Company shall grant the Restricted Shares and complete the registration and announcement procedures within 60 days from the date on which the Incentive Plan is considered and approved at the general meeting and class meetings of the Company, failing to complete the aforementioned work within 60 days, the Incentive Plan will be terminated and the Board shall promptly disclose the reasons of non-completion and shall not consider a share incentive plan within 3 months unless as specified under this Incentive Plan. The Board of the Company shall promptly announce the relevant implementation progress after the completion of registration of the Restricted Shares granted.
- (7) The Company shall apply to the stock exchange prior to the grant of Restricted Shares, and apply to the depository and clearing company for the registration and settlement matters upon the confirmation by the stock exchange.

## 2. The Unlocking Procedures of the Restricted Shares

- (1) Prior to the date of unlocking, the Company shall confirm whether the Participants have satisfied the conditions for unlocking the Restricted Shares. The Board shall consider whether the conditions for unlocking the Restricted Shares under the Incentive Plan have been satisfied and the independent non-executive Directors and Supervisory Committee shall simultaneously issue their clear opinions. The Company's legal adviser shall issue legal opinions as to whether the Participants have satisfied the Unlocking Conditions. As to the Participants who has satisfied the Unlocking Conditions, the Company shall handle the matters in relation to the unlocking. As to the Participants who has not satisfied the conditions, the Company shall repurchase and cancel the Restricted Shares corresponding to that unlocking as held by them.
- (2) Participants may transfer their unlocked Restricted Shares whereas the transfer of shares held by the Company's Directors and members of senior management shall comply with the requirements of the relevant laws, regulations and regulatory documents.

## **XI. RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY AND PARTICIPANTS**

### **(I) Rights and obligations of the Company**

1. The Company shall have the right to construe and execute the Incentive Plan and shall appraise the performance of Participants based on the requirements of this Incentive Plan. If the Participants do not satisfy the Unlocking Conditions under the Incentive Plan, the Company will repurchase and cancel the Restricted Shares in accordance with the principles as prescribed by the Incentive Plan.
2. The Company undertakes not to provide loans and financial support in any other form, including providing guarantee for loans, to Participants under the Restricted Shares Incentive Plan.
3. The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Incentive Plan in accordance with the relevant requirements.
4. The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock in accordance with relevant requirements including those of the Restricted Shares Incentive Plan, SASACQ, CSRC, stock exchange, China Securities Depository and Clearing Corporation Limited. However, the Company disclaims any liability for any loss suffered by a Participant arising from the incapability to unlock as the Participant desires due to reasons relating to SASACQ, CSEC, stock exchange, China Securities Depository and Clearing Corporation Limited.
5. The Company confirms that the eligibility of the Participants under this Incentive Plan does not represent the right of such Participants to continue to serve the Company and does not constitute a commitment of employment for a term by the Company. The employment relationship between the Company and the Participants shall still be governed by the employment contracts between the parties.
6. The Company undertakes that no Participant of the Incentive Plan participates in two or above share incentive plans of other listed companies at the same time.

### **(II) Rights and obligations of the Participants**

1. The Participants shall comply with the requirements of positions as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics and make contribution to the development of the Company.



2. The Restricted Shares granted to the Participants shall enjoy the entitlements of the shares after registration of transferral by the depository and clearing company, including but not limited to the rights to dividend and rights issue of such shares etc. However, prior to the unlocking of the Restricted Shares, the Participants shall not dispose the Restricted Shares as granted under this Incentive Plan (including the dividends, the shares of capitalisation issue and rights issue), including but not limited to by transferral, pledge or used for repayment of debt.

Prior to the unlocking, when the Company pays cash dividends, the Participants are entitled to the cash dividend in respect of the Restricted Shares as held by them after withholding and deducting the individual income tax. If those Restricted Shares fail to be unlocked, the Company shall deduct the cash dividend attributed to the Participant in repurchasing and cancelling the Restricted Shares in accordance with the requirements of the Incentive Plan.

3. Source of funds shall be self-financed by the Participants.
4. Restricted Shares granted to the Participants shall not be transferred or used as guarantee or repayment of debts during the locking period.
5. Any gains of the Participants generated from the Incentive Plan are subject to individual income tax and other taxes according to PRC tax laws.
6. Participants shall undertake that 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 exercise, the Participants shall return to the Company all interests gained from this Incentive Plan after the relevant information disclosure documents were confirmed to contain false statements, misleading statements or material omissions.
7. Other relevant rights and obligations as stipulated by laws and regulations.

## **XII. AMENDMENTS TO AND TERMINATION OF THE INCENTIVE PLAN**

### **(I) Unusual changes to the Company**

1. The Incentive Plan shall remain unchanged and the Company shall proceed to implement the Incentive Plan as stipulated in the event that any of the following events occurs to the Company:
  - (1) change in control of the Company;
  - (2) merger and spin-off of the Company.

2. The Plan shall be terminated immediately in the event that any of the following events occurs to the Company:
  - (1) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  - (2) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
  - (3) 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) where the implementation of a share option incentive plan is prohibited by laws and regulations;
  - (5) other circumstances under which the Incentive Plan shall be terminated as determined by the CSRC.

When any of the abovementioned circumstances occurs to the Company under which the Incentive Plan shall be terminated, the Restricted Shares of the Participants which are granted under the Incentive Plan but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by 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, all Restricted Shares which are not yet unlocked shall be repurchased and cancelled by the Company. 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 preceding provisions and relevant arrangements under the Incentive Plan.

## **(II) Changes to the individual circumstances of the Participants**

1. When a Participant changes office position but remains working in the Company or the subsidiaries and branch offices of the Company or working in positions as assigned by the Company, the procedures in relation to the Restricted Shares granted to the Participants shall be carried out in accordance with the procedures stipulated in this Incentive Plan before the change in office position.

2. Within six months from the date of occurrence of any of the following circumstances, the Restricted Shares of the Participants which have satisfied the Unlocking Conditions within the year can be unlocked; Restricted Shares which have not satisfied 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 conducting the repurchase and cancellation:
  - (1) A Participant is transferred from the Company and ceases to take office in the Company due to organizational arrangements; and
  - (2) 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.
3. When a Participant becomes an independent 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 conducting the repurchase and cancellation.
4. 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 at the time of repurchase if any of the following circumstance occurs:
  - (1) when the Participant offer to resign during his/her employment contract period;
  - (2) when the employment contract of the Participant expires and is not renewed;
  - (3) when the Participant becomes disqualified for the Incentive Plan due to incompetence with work position, disqualification in performance appraisal, negligence, violation of laws and regulations, etc.; and
  - (4) when the 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 proceeds obtained from the sale of the Restricted Shares which have been unlocked based on the severity of the case).

5. Where a Participant reaches legal retirement age stipulated by law and retires normally, all Restricted Shares held by such Participant can be unlocked in accordance with the appraisal results, and those which have 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 conducting the repurchase and cancellation.
6. Where a Participant resigns due to the loss of working capacity while performing duties, the procedures in relation to the Restricted Shares granted to the Participant shall be carried out in accordance with the procedures stipulated in this Incentive Plan before the loss of working capacity and the performance appraisal would cease to be included in the Unlocking Conditions.
7. The death of the Participants should be handled in the following two situations:
  - (1) Where such Participant is deceased as a result of performing its duties, the Restricted Shares granted to him shall be held by his/her legal successor in compliance with the procedures in this Incentive Plan before his decease and the performance appraisal would cease to be included in the Unlocking Conditions.
  - (2) Where such Participant is deceased as a result of any other reasons, the Restricted Shares granted to him shall not be unlocked and shall be repurchased and cancelled 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, the unlocked portion of the Restricted Shares shall be inherited by the successor.
8. 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 at the time of repurchase if any of the following circumstance occurs to the Participant:
  - (1) being subject to any identification as an ineligible personnel by a stock exchange in the last 12 months;
  - (2) being subject to any identification as an ineligible personnel by the CSRC and its resident agencies in the last 12 months;
  - (3) imposition of administrative penalties or measures prohibiting the Participants from entering into the market by the CSRC and its resident agencies in the last 12 months due to material breach of laws and regulations;

- (4) circumstances under which the Participant is prohibited from acting as a director or a member of the senior management of a company under the Company Law;
  - (5) circumstances under which the Participant is not allowed by the laws and regulations to participate in any share incentive plan of a listed company;
  - (6) any other circumstances as determined by the CSRC;
9. other circumstances that are not specified shall be identified by the nomination and remuneration committee of the Board and the treatment methods shall be determined.

### **(III) Procedures for amendments to the Incentive Plan**

1. Any proposed amendment to the Incentive plan by the Company prior to the approval of the Incentive Plan at the general meeting or class meetings shall be subject to the consideration and approval of the Board.
2. Any proposed amendment to the Incentive Plan after approval of the Incentive Plan at the general meeting or class meetings shall be subject to consideration and approval at a general meeting and class meetings, provided that such amendment shall not:
  - (1) result in unlocking of restriction in advance;
  - (2) reduce the Grant Price.

### **(IV) Procedures for termination of the Incentive Plan**

1. Proposed termination of the Incentive Plan by the Company prior to the approval of the Incentive Plan at the general meeting and class meetings shall be subject to the consideration and approval of the Board.
2. Proposed termination of the Incentive Plan by the Company after the approval of the Incentive Plan at the general meeting and class meetings shall be subject to consideration and approval at a general meeting and class meetings.

### **(V) Procedures for repurchase and cancellation of the Incentive Plan**

1. The Company shall promptly convene a Board meeting to consider the repurchase plan, submit the repurchase plan to a general meeting and class meetings for approval and promptly make an announcement.

2. The Company shall comply with the requirements of the Company Law when implementing the repurchase as stipulated in this Incentive Plan.

**(VI) The Restricted Shares proposed to be repurchased and cancelled shall not be further granted to other Participants.**

### **XIII. ACCOUNTING TREATMENT METHOD AND EXPECTED IMPACT TO THE OPERATING PERFORMANCE**

#### **(I) Accounting treatment method of the Restricted 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.

1. Accounting treatment method of Grant Date: the share capital and capital reserve shall be determined according to the issuance of shares to the Participants by the Company.
2. Accounting treatment method during the Lock-up Periods: 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. Accounting treatment method of unlocking date: the shares can be unlocked if all the Unlocking Conditions are satisfied; if part or all of the 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 shall be determined by the market price on the Grant Date and the subscription price paid by the Participants. On the estimation date, the fair value of the shares paid for each Restricted Shares is equal to the market price of A Shares of the Company less the Grant Price, being RMB17.61 per share.

### (III) Impact of share-based payment expenses on the performance of the Company

As at the date of the announcement of the Incentive Plan, the total cost of the First Grant of the Restricted Shares is estimated to be approximately RMB232.4520 million. Such cost would be amortized during the waiting periods and Lock-up Periods of the Incentive Plan and be included in management expenses. Assuming the grant takes place in June 2020, the annual amortization amount is as follows:

Number of Restricted Shares (0'000 shares)	Total cost to be shared (RMB 0'000)	2020 (RMB 0'000)	2021 (RMB 0'000)	2022 (RMB 0'000)	2023 (RMB 0'000)	2024 (RMB 0'000)
1,320	23,245.20	4,896.56	8,394.10	6,134.15	3,013.27	807.13

*Note:* The above result does not represent the final accounting cost. In addition to the accounting cost related to the Grant Date, Grant Price and number of Restricted Shares granted, they are also related to the actual number of equity that are valid and invalid. The final result of the above impact on the operating performance of the Company shall be subject to the annual audited report issued by the accounting firm.

The costs incurred by the Incentive Plan will be presented in recurring gains and losses. Based on current conditions, the Company estimates that, without considering the stimulus effects of the Incentive Plan on the performance of the Company, the amortization of the costs of the Incentive Plan has an impact on the net profit of each year during the Validity Period but the impact is not significant. Taking into consideration the positive impact of the Incentive Plan on the development of the Company, it will stimulate the enthusiasm of the management team, improve the operating efficiency, reduce agency costs, the performance improvement of the Company brought by the Incentive Plan shall far exceed the increase in costs incurred by the Incentive Plan.

### (IV) Accounting treatment for the termination of the Incentive Plan

Upon the termination of the Incentive Plan, pursuant to the requirement of the Accounting Standards for Business Enterprises, 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 shall 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. Funds paid for repurchase shall be handled in accordance with the provisions of Accounting Standards for Business Enterprises.

## **INFORMATION OF THE GROUP**

The Company is mainly engaged in the production and sales of beer and its subsidiaries and associated companies are mainly engaged in the production, sale and domestic trade of beer. The ultimate beneficial owner of the Group is SASACQ.

## **REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE PLAN**

Please refer to the section headed “PURPOSE OF THE INCENTIVE PLAN” of this announcement for reference.

The Incentive Plan aims to, among which, promote the establishment and improvement of the incentive and restraint mechanism of the Company, fully mobilize the enthusiasm of the Group’s Directors, senior management personnel, core management personnel and core operation personnel, effectively align the interests of the Shareholders, Company with the interests of the Participants to focus on the long-term development of the Company and achieve the development goals of the Company. The Board is of the view that the adoption of the Incentive Plan will assist the Company in achieving the aforesaid goals, and that the terms and conditions of the Incentive Plan are on normal commercial terms, fair, reasonable and in the interests of the Company and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As certain Participants of the First Grant are the Company’s Directors, they are connected persons of the Company. The grant of Restricted Shares to those persons will constitute non-exempt connected transactions of the Company which are subject to reporting, announcement and independent shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules. 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. Mr. HUANG Ke Xing, Mr. YU Zhu Ming and Mr. WANG Rui Yong are the Directors of the Company and the Participants in the First Grant of the Incentive Plan and have therefore abstained from voting on the relevant resolutions during the Board meeting.

## **GENERAL MEETING AND CIRCULAR**

Shareholders’ approval will be sought at the General Meeting and Class Meetings to approve, among other things, the Incentive Plan and the grant of Restricted Shares to the connected persons of the Company. The exact time of the General Meeting and Class Meetings will be determined when appropriate after the Company has obtained the approval from SASACQ. A circular containing, among other things, (i) terms of the Incentive Plan, (ii) a letter to the Independent Shareholders and Independent Board Committee from Independent Financial Advisor, which contains the opinion of



the Independent Financial Advisor on the Company's proposed grant plan to the Participants who are connected persons; (iii) the recommendation of the Independent Board Committee as to whether to approve the Company's proposed grant plan to the Participants who are connected persons; (iv) notice of the General Meeting and (v) notice of the Class Meetings, will be despatched to the Shareholders as soon as practicable.

## 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, from time to time;
“Board”	the board of directors of the Company;
“Class Meetings”	the A Share class meeting and the H Share class meeting to be held by the Company, the exact time of the meetings will be determined when appropriate after the Company has obtained the approval from SASACQ;
“Company”	青島啤酒股份有限公司 (Tsingtao Brewery Company Limited), a Sino-foreign joint stock limited company established in Qingdao, the PRC, 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 as applicable to the Company;
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	director(s) of the Company;

“First Grant”	the proposed grant of 13,200,000 Restricted Shares to the Participants pursuant to the Incentive Plan;
“General Meeting”	the General Meeting to be held by the Company, the exact time of the meeting will be determined when appropriate after the Company has obtained the approval from SASACQ;
“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 share(s) of nominal value RMB1.00 each in the share capital of the Company, 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 Plan”	Restricted A Share Incentive Plan of the Company;
“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 Plan and the proposed grant to connected person(s);
“Independent Financial Advisor”	the independent financial advisor to be 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 Plan 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 Plans by State-Owned Listed Companies;
“Participant(s)”	the Directors, senior management personnel, other core management personnel of the Company, middle management personnel and core personnel of the Company (excluding non-executive Directors, independent Directors and supervisors) to be granted the Restricted Shares under the Incentive Plan;
“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 13,500,000 Restricted Shares to the Participants pursuant to the Incentive Plan;
“Reserved Grant”	the proposed grant of an amount not exceeding 300,000 Restricted Shares to the Participants pursuant to the Incentive Plan;
“Restricted Share(s)”/ “Target Shares”	the A shares granted to the Participants according to the conditions and price stipulated under the Incentive Plan which are subject to the Lock-up Period and can only be unlocked and transferred after the Unlocking Conditions are satisfied;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASACQ”	State-owned Assets Supervision & Administration Commission of the People’s Government of Qingdao;
“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 Plans by State-Owned Listed Companies (Domestic);
“Tsingtao Group”	Tsingtao Brewery Group Company Limited;

“Unlocking Condition(s)”	the conditions prescribed under the Incentive Plan which have to be satisfied to unlock the Restricted Shares granted to the Participants;
“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 Plan are satisfied;
“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 or cancelled; and
“%”	per cent.

By order of the Board  
**Tsingtao Brewery Company Limited**  
**ZHANG Rui Xiang**  
*Company Secretary*

Qingdao, the PRC  
23 March 2020

Directors of the Company as at the date of this announcement are:

<i>Executive Directors:</i>	<i>Mr. HUANG Ke Xing (Chairman), Mr. YU Zhu Ming and Mr. WANG Rui Yong</i>
<i>Independent Non-executive Directors:</i>	<i>Mr. YU Zeng Biao, Mr. BEN Sheng Lin, Mr. JIANG Min and Mr. JIANG Xing Lu</i>