

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

ANNOUNCEMENT IN RELATION TO THE FIRST GRANT OF THE RESTRICTED SHARES TO PARTICIPANTS UNDER THE RESTRICTED A SHARE INCENTIVE PLAN

Reference is made to the (i) announcement of Tsingtao Brewery Company Limited (the “**Company**”) dated 23 March 2020 in relation to, among other things, the proposed adoption of the Restricted A Share Incentive Plan (the “**Incentive Plan**”); (ii) circular dated 29 April 2020 in relation to, among other things, the proposed adoption of the Incentive Plan; (iii) announcement dated 8 June 2020 in relation to the poll results of the relevant resolutions in respect of the approval of the Incentive Plan at the Annual General Meeting and the Class Meetings. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meaning as defined in the above circular.

I. EXPLANATION OF THE BOARD REGARDING SATISFACTION OF CONDITIONS OF THE FIRST GRANT

In accordance with the relevant provisions of the Administrative Measures, the Trial Measures, the Notice and the Incentive Plan, after careful verification, the Board considered that all conditions of the First Grant set out in the Incentive Plan have been satisfied. Details are as follows:

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 has achieved the performance target that 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%.

The abovementioned "growth rate of the net profit" and "return on net assets" are based on the net profit attributable to the shareholders of the listed company excluding the share-based payment expenses of the Incentive Plan as the accounting basis.

II. PARTICULARS OF THE FIRST GRANT

1. Grant Date: 29 June 2020
2. Number of Restricted Shares granted: 13,200,000 shares
3. Number of persons granted: 627 people
4. Grant Price: RMB21.18 per share
5. Source of Restricted Shares: The source of the Target Shares under the Incentive Plan is from the issuance of the Company's A shares ordinary shares to the Participants.
6. Validity Period, Lock-up Periods and Unlocking Arrangements of the Incentive Plan:
 - (1) 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.
 - (2) 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.
 - (3) 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:

Unlocking Period	Unlocking Time	Proportion of unlocking shares in the total shares granted
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

Unlocking Period	Unlocking Time	Proportion of unlocking shares in the total shares granted
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.

7. List of Participants and the status of the Grant:

The total number of the Participants of the First grant under the Incentive Plan shall be 627, specifically including:

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

The Participants of the Incentive Plan are employed or hired by the Company or its subsidiaries during the Validity Period of the Incentive Plan, do not participate in the share incentive plan of any other listed company. 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.

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%
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%
		Sub-total	92.00	6.81%	0.0681%
		Other core management personnel of the Company, middle management personnel and core personnel (Total: 619 people)	1,228.00	90.96%	0.9090%
		Reserved Grant	30.00	2.22%	0.0222%
		Total	1,350.00	100.00%	0.9993%

Notes:

1. The present grant does not include the Reserved Grant.
2. Any difference between the figures shown as totals and the sum of the corresponding figures above results from the rounding of the above data.

III. EXPLANATION IN RELATION TO THE DIFFERENCES BETWEEN THE PRESENT GRANT OF THE RESTRICTED SHARES AND THE INCENTIVE PLAN AS CONSIDERED AND APPROVED AT THE ANNUAL GENERAL MEETING AND CLASS MEETINGS

1. The adjustment to the Grant Price of the First Grant of the Incentive Plan

On 8 June 2020, the Company convened the 2019 Annual General Meeting to consider and approve the Company's 2019 profit distribution (including dividends distribution) proposal. It was approved that the Company shall distribute cash dividend of RMB0.55 per share (tax inclusive), based on the total share capital of 1,350,982,795 shares. The dividends distribution to the Shareholders of A Shares of the Company was completed on 24 June 2020.

As stipulated in the Incentive Plan, 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 dividend distribution, capitalisation issue, bonus issue, share split, rights issue or consolidation of shares, adjustment to the Grant Price of Restricted Shares shall be made accordingly, and the details are as follows:

$$P = P_0 - V = 21.73 - 0.55 = \text{RMB}21.18/\text{share}$$

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

In view of the above, the Grant Price of the First Grant of the Incentive Plan was adjusted from RMB21.73/share to RMB21.18/share.

2. The adjustment to the number of Participants of the First Grant of the Incentive Plan

As at the date of this announcement, among the 638 proposed Participants of the First Grant of the Incentive Plan, 11 Participants gave up subscribing the Restricted Shares to be granted by the Company because of retirement, resignation or personal reasons.

In accordance with the resolution regarding mandate granted by the general meeting to the Board to handle the relevant matters in respect of the Restricted A Share Incentive Plan as considered and approved by the Annual General Meeting and Class Meetings, the Board made corresponding reduction and adjustment to the list of the Participants and the number of Participants of the First Grant of the Incentive Plan was reduced from 638 to 627, while the number of Restricted Shares under the First Grant and Reserved Grant remained unchanged and there was no impact on the number of Restricted Shares granted to the Participants who are connected persons of the Company.

Save for the aforementioned adjustment, the status of the present grant is in line with the Incentive Plan as considered and approved by the Annual General Meeting and Class Meetings and there are no other differences. As authorised by the Annual General Meeting and Class Meetings of the Company, the current adjustment is within the scope of the authorisation, can be approved by the Board and are not required to be submitted to the general meeting for consideration.

IV. VERIFICATION OF THE LIST OF PARTICIPANTS OF THE FIRST GRANT BY THE SUPERVISORY COMMITTEE

Upon verification of whether the Participants of the First Grant of the Incentive Plan fulfilled the conditions of grant, the supervisory committee of the Company is of the view that:

1. 11 of the Participants of the First Grant of the Incentive Plan gave up subscribing the Restricted Shares to be granted by the Company because of retirement, resignation or personal reasons. After adjustment, the number of Participants of the Incentive Plan was adjusted from 638 to 627 and the total number of Restricted Shares granted under the First Grant is 13,200,000. Save for the aforementioned adjustment, the list of Participants of the present grant is consistent with the Participants as stipulated in the Incentive Plan as considered and approved by the Annual General Meeting and Class Meetings.
2. The Participants under the present grant do not include independent non-executive Directors, supervisors, any Shareholder or actual controller, whether jointly or individually, holding more than 5% of the shares of the Company, or their respective spouses, parents and children.

Upon verification, the Participants of the First Grant of the Incentive Plan are not subject to the following circumstances:

- (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 Participants under the present grant have satisfied the employment requirements stipulated under the Company Law, the Administrative Measures, the Trial Measures and other laws and regulations as well as the Articles of Association, have all met the conditions of Participants under the Administrative Measures, the Trial Measures and other laws and regulations, are within the scope of Participants of the Incentive Plan and are not subject to any circumstances where a person is prohibited to be a Participant as required under the Administrative Measures and the Trial Measures.
 4. The Participants of the First Grant of the Incentive Plan are legally and validly qualified and have satisfied the conditions of grant of the Restricted Shares.

In view of the above, the supervisory committee is of the view that the conditions of the First Grant of the Incentive Plan are satisfied and agree the Company to set the Grant Date of the First Grant under the Incentive Plan on 29 June 2020 and grant 13,200,000 Restricted Shares to the 627 Participants who satisfied the conditions.

V. STATEMENT ON DEALING IN SHARES OF THE COMPANY BY THE DIRECTORS AND SENIOR MANAGEMENT PERSONNEL PARTICIPATING IN THE INCENTIVE PLAN DURING THE 6 MONTHS PRIOR TO THE GRANT DATE

Upon verification, the Directors and senior management personnel participating in the First Grant of the Incentive Plan did not trade in the Shares of the Company during the 6 months prior to the Grant Date.

VI. IMPACT OF THE GRANT ON THE FINANCIAL POSITION OF THE COMPANY

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.

The fair value of the Restricted Shares shall be the closing price of the A Shares of the Company on the Grant Date and the share-based payment expenses per each Restricted Shares equal to the closing price of A Shares of the Company on the Grant Date less the Grant Price and the share-based payment expenses of the Incentive Plan will be confirmed subsequently. The costs incurred by the Incentive Plan will be presented in recurring gains and losses.

As at the Grant date, the share-based payment expense per each Restricted Shares equal to the closing price of A Shares of the Company on the Grant Date less the Grant Price, which is RMB50.76. Upon calculation, the impact of the Restricted Shares of the present grant on the costs of each accounting period is shown in the table below.

	<i>Unit: RMB0'000</i>				
Total cost	2020	2021	2022	2023	2024
67,003.20	12,097.80	24,195.60	18,612.00	9,306.00	2,791.80

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.

As estimated by the Company based on the above currently available information, without considering the stimulus effects of the Incentive Plan on the performance of the Company, the amortization of the costs of the Restricted Shares 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. It is expected that the performance improvement of the Company brought by the Incentive plan shall far exceed the increase in costs incurred by the Incentive Plan.

VII. THE FUNDS FOR THE PARTICIPANTS TO SUBSCRIBE THE RESTRICTED SHARES AND PAY FOR THE PERSONAL INCOME TAX ARE ALL SELF-RAISED. THE COMPANY UNDERTAKES NOT TO PROVIDE LOANS AND FINANCIAL SUPPORT IN ANY OTHER FORM, INCLUDING PROVIDING GUARANTEE FOR LOANS TO THE PARTICIPANTS FOR OBTAINING THE TARGET SHARES UNDER THE INCENTIVE PLAN. THE COMPANY WILL WITHHOLD AND PAY THE INDIVIDUAL INCOME TAX PAYABLE BY THE PARTICIPANTS IN ACCORDANCE WITH THE PRC TAX LAWS. THE FUNDS RAISED BY THE COMPANY FROM THE GRANT OF RESTRICTED SHARES WILL BE USED TO REPLENISH WORKING CAPITAL.

VIII. OPINIONS OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Upon verification, the independent non-executive Directors are of the view that:

1. **The independent opinion in relation to the adjustment to the Grant Price of the First Grant of the Incentive Plan**

Upon verification, we are of the view that: the Board adjusted the Grant Price of the First Grant of the Incentive Plan in accordance with the authorisation of the Annual General Meeting and Class Meetings and such is in line with the Administrative Measures and other laws, regulations and normative documents as well as the “Restricted A share Incentive Plan (Proposal) of Tsingtao Brewery Company Limited”. The adjustment procedures are in accordance with the laws and regulations and there are no circumstances where the interests of the Company and the Shareholders are prejudiced. We agree with the adjustment to the Grant Price of the First Grant of the Incentive Plan.

2. **The independent opinion in relation to the adjustment to the list of Participants and respective number of Restricted Shares granted**

In view of 11 of the Participants of the First Grant of the Incentive Plan gave up subscribing the Restricted Shares to be granted by the Company because of retirement, resignation or personal reasons, the Company is required to adjust the list of Participants and the respective number of Restricted Shares granted. Upon such adjustment, the number of Participants of the First Grant of the Incentive Plan was reduced from 638 to 627 and the number of Restricted Shares under the First Grant and Reserved Grant remained unchanged and there was no impact on the number of Restricted Shares granted to the Participants who are connected persons of the Company.

Upon verification, we are of the view that: the Board adjusted the list of Participants and number of Restricted Shares granted of the First Grant of the Incentive Plan in accordance with the authorisation of the Annual General Meeting and Class Meetings and such is in line with the Administrative Measures and other laws, regulations and normative documents as well as the Incentive Plan. The adjustment procedures are in accordance with the laws and regulations and there are no circumstances where the interests of the Company and the Shareholders are prejudiced. We agree with the adjustment to the list of Participants and the respective number of Restricted Shares granted of the First Grant of the Incentive Plan.

3. The independent opinion in relation to the First Grant of Restricted Shares to the participants

The independent non-executive Directors are in a prudent and responsible attitude and seriously reviewed the relevant proposal on the matters in relation to the grant under the Incentive Plan in an independent and objective manner and are of the view that:

- (1) In accordance with the authorisation of the Annual General Meeting and Class Meetings, the Board set the Grant Date of the First Grant on 29 June 2020. The Grant Date satisfied the requirement of the Grant Date as in the Administrative Measures and the Incentive Plan. The present grant also satisfied the conditions of grant to the Participants under the Incentive Plan.
- (2) The Company is not subject to any circumstances where the implementation of the Incentive Plan is prohibited or terminated under the Administrative Measures, the Trial Measures and other laws, regulations and normative documents. The Company is qualified to implement the Incentive Plan.
- (3) The Participants of the First Grant of the Company satisfies the employment requirements under the Company Law, the Administrative Measures, the Trial Measures and other laws and regulations and the Articles and Association, the conditions of Participants under the Administrative Measures, the Trial Measures and other laws and regulations, are within the scope of Participants of the Incentive Plan and are legally and validly qualified. The proposal of grant formulated by the Company is in accordance with the provisions under the Administrative Measures, the Trial Measures and other laws and regulations as well as the Incentive Plan.
- (4) The Company did not provide any loans, guarantee for loans or other financial support schemes or arrangements to the Participants.
- (5) The implementation of the Incentive Plan of the Company can promote the improvement of the incentive and restraint mechanism of the Company, incentivise and restrain the Directors, senior management personnel, other core management personnel, middle management personnel, core personnel, closely align the interests of the Participants and the Company, so as to jointly share the risks and profits, mobilise their enthusiasm and creativity to promote the sustainable high-quality development of the Company and maximize the interests of the Company and the Shareholders. There are no circumstances where the interests of the Company and the Shareholders are prejudiced.
- (6) During the consideration of the matters in relation to the present grant, the three executive Directors who are the Participants abstained from voting. The consideration and voting procedures are in accordance with the requirements of the laws and regulations as well as the Articles of Association.

In view of the above, the Board agreed to set the Grant Date of the First Grant under the Incentive Plan on 29 June 2020, and grant in total 13,200,000 Restricted Shares of the Company to 627 Participants of the First Grant (excluding the Reserved Grant) with the Grant Price of the First Grant of RMB21.18/share.

IX. THE CONCLUSION OF THE LEGAL OPINIONS

Beijing Haiwen & Partners is of the view that, as at the issuance date of the legal opinion, the Company has obtained the required approval and authorisation in relation to the present adjustments and the First Grant and satisfied the requirements under the Administrative Measures, the Articles of Association and the Incentive plan. The contents of the adjustments and determination of the Grant Date of the First Grant by the Board satisfied the relevant requirements under the Administrative Measures and the Incentive Plan. The conditions of grant of the First Grant are satisfied. The implementation of the First Grant by the Company satisfied the relevant requirement under the Administrative Measures and the Incentive Plan.

X. THE PROFESSIONAL OPINION OF THE INDEPENDENT FINANCIAL ADVISER

The PRC Independent Financial Adviser of the Company, Shanghai Realize Investment Consulting Co., Ltd is of the view that, as at the issuance date of the report, the Company and the Participants of the First Grant of the Incentive Plan satisfied the conditions of grant as required under the Incentive Plan. The present adjustments to and grant of the Restrictive Shares have obtained necessary approval and authorisation and have satisfied the relevant requirements under the Administrative Measures, the Trial Measures, the Notice and the Incentive Plan. The Company still has to carry out relevant information disclosure within the prescribed period and handle relevant subsequent procedures with the Shanghai Stock Exchange, China Securities Depository & Clearing Corp. Ltd. Shanghai Branch for the First Grant pursuant to the relevant provisions of the Administrative Measures and the Incentive Plan.

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

Qingdao, the PRC
29 June 2020

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

Executive Directors: Mr. HUANG Ke Xing (Chairman), Mr. YU Zhu Ming and Mr. WANG Rui Yong

Non-executive Director: Mr. SHI Kun

Independent Non-executive Directors: Mr. YU Zeng Biao, Mr. XIAO Geng, Mr. SHENG Lei Ming and Mr. JIANG Xing Lu