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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)

ANNOUNCEMENT ON RESULTS OF THE FIRST GRANT OF RESTRICTED A SHARES 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; and (iv) announcement dated 29 June 2020 in relation to the First Grant of the Restricted Shares to Participants under the Restricted A Share Incentive Plan. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meaning as defined in the above circular and announcements.

The Company announces that, on 24 July 2020, the Company completed the registration of part of the Restricted A Shares under the first grant of Restricted A Share Incentive Plan of the Company with China Securities Depository and Clearing Co., Ltd. Shanghai Branch, the Company has completed the first grant (the “**First Grant**”) of 13,200,000 Restricted A Shares (the “**Restricted Shares**”), representing approximately 0.9676% of the total number of shares of the Company as at the date of this announcement, to 627 participants at the grant price of RMB21.18 (the “**Grant Price**”).

I. FIRST GRANT OF PART OF RESTRICTED SHARES

On 29 June 2020, the 2020 eighth extraordinary meeting of the ninth session of the Board and the 2020 second extraordinary meeting of the ninth session of the Supervisory Committee approved the resolutions in relation to the First Grant of Restricted A Shares to Participants, and confirmed to set the Grant Date of the First Grant on 29 June 2020 and grant 13,200,000 Restricted A Shares to the 627 Participants with the Grant Price of RMB21.18/share. The independent non-executive Directors of the Company expressed independent opinions on the related matters while the Supervisory Committee verified the Participants list of the First Grant of the Restricted Shares and the related matters.

(I) Actual Grant of Restricted Shares

The number of Restricted Shares granted, Grant Price, source of shares etc. in relation to the Company's First Grant of Restricted A Shares are consistent with those as considered and approved in the 2020 eighth extraordinary meeting of the ninth session of the Board, the actual grant of shares is as follows:

1. Grant Date: 29 June 2020
2. Number of Restricted Shares granted: 13,200,000 shares
3. Number of persons granted: 627 persons
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.

(II) List of Participants and Actual Grant of Restricted Shares are as follows:

The First Grant involves executive Directors, and directors and supervisors of significant subsidiaries of the Company, and therefore connected persons of the Company. Please refer to the circular dated 29 April 2020 and announcement dated 29 June 2020 of the Company regarding the allocation of Restricted Shares granted to the Participants, including the details of the grant of Restricted Shares to connected persons.

II. 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
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

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

On 7 July 2020, Zhongxingcai Guanhua Certified Public Accountants LLP conducted verification for share capital actually paid by the Participants for the Restricted Shares and issued the Capital Verification Report (Zhongxingcai Guanhua Shen Yan Zi (2020) No.315001). As at 3 July 2020, the Company received subscription funds in an aggregate amount of RMB279,576,000 paid by 627 Participants for subscription of 13,200,000 Restricted Shares. All Participants made capital contribution in cash, including RMB13,200,000 included in the share capital and RMB266,376,000 transferred to the capital reserve (capital in share premium). The registered capital of the Company will be changed to RMB1,364,182,795.

IV. REGISTRATION OF RESTRICTED SHARES

The registration procedures for the First Grant under the Incentive Plan were completed on 24 July 2020 and China Securities Depository and Clearing Co., Ltd. Shanghai Branch issued a Certificate of Registration of Changes in Securities therefor.

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

Upon completion of the First Grant under the Incentive Plan, the total number of shares of the Company increased from 1,350,982,795 shares to 1,364,182,795 shares, and the number of shares held by Tsingtao Brewery Group Company Limited, the controlling shareholder of the Company, remained unchanged. Before the First Grant, Tsingtao Brewery Group Company Limited held 443,467,655 shares of the Company, representing 32.83% of the total shares of the Company. After the First Grant, the shares held by Tsingtao Brewery Group Company Limited represented 32.51% of the total number of shares of the Company. The First Grant of Restricted Shares will not result in any changes in the control over the Company.

VI. CHANGES IN THE SHAREHOLDING STRUCTURE

The changes in the Company's share capital after the First Grant are as follows:

Class	<i>Unit: share(s)</i>		
	Before the Changes	Changes	After the Changes
I. Shares subject to selling restrictions	0	13,200,000	13,200,000
II. Shares not subject to selling restrictions	1,350,982,795	0	1,350,982,795
1. Tradable A Shares not subject to selling restrictions	695,913,617	0	695,913,617
2. Tradable H Shares not subject to selling restrictions	655,069,178	0	655,069,178
Total	1,350,982,795	13,200,000	1,364,182,795

VII. PLAN ON THE USE OF PROCEEDS

The proceeds raised by the Company from issuance of ordinary A shares to the Participants will be fully used to replenish the working capital of the Company.

VIII. EFFECTS OF THE NEWLY INCREASED SHARES AFTER THE FIRST GRANT ON THE LATEST FINANCIAL REPORT

According to the requirements under the Accounting Standards for Enterprises No. 11 – Share based Payments, at each balance sheet date within the lock-up periods, 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 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 at the Grant Date.

The closing price of A shares at the Grant Date shall be taken by the Company as the fair value of Restricted Shares; the difference between the closing price of A shares at the Grant Date and the Grant Price shall be recognized by the Company as the share-based payment expenses per Restricted Share, and the share-based payment expenses under the Incentive Plan shall be determined eventually. The incentive costs incurred from the Incentive Plan will be charged to the recurring gain or loss.

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 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. The specific impact on the latest financial report shall be based on the Company's annual audited report issued by the Company's annual auditor.

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

Qingdao, the PRC
27 July 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