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If you have sold or transferred all your shares in Tsingtao Brewery Company Limited, you should at once hand this circular to the purchaser or transferee or the transferred bank, licensed securities dealer or registered institution or other agents through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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**
**(2) CONNECTED TRANSACTIONS – PROPOSED GRANT UNDER
INCENTIVE PLAN**

**Independent Financial Advisor to the Independent Board Committee
and Independent Shareholders**



A letter from the Board is set out on pages 6 to 49 of this circular. A letter from the Independent Board Committee is set out on pages 50 to 51 of this circular. A letter from Guotai Junan is set out on pages 52 to 73 of this circular.

The Company will convene the Annual General Meeting and the H Share Class Meeting at the Meeting Room, 1st Floor, Complex Building, Tsingtao Brewery Factory, No. 56 Dengzhou Road, Shibei District, Qingdao, the PRC at 9:30 a.m. on 8 June 2020 (Monday). The notices for convening the Annual General Meeting and the H Share Class Meeting, the proxy forms, and the reply slips were published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tsingtao.com.cn) on 21 April 2020.

Whether or not you intend to attend the aforesaid meetings, please complete, sign and return the reply slips and the proxy forms or the Proxy Form For the Solicitation of Voting Rights by INEDs, in accordance with the instructions printed thereon. For the holders of H Shares, please return the reply slips on or before 20 days before the convene of the aforesaid meetings (that is on or before 18 May 2020 (Monday)). For the proxy forms and/or the Proxy Form For the Solicitation of Voting Rights by INEDs, please return them not later than 24 hours before the holding of the relevant meetings. The holders of H Shares should return the proxy forms and/or the Proxy Form for the Solicitation of Voting Rights to the Company's H Shares share registrar, Hong Kong Registrars Limited at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Completion and return of the proxy forms and/or the Proxy Form For the Solicitation of Voting Rights by INEDs shall not preclude you from attending and voting in person at the Annual General Meeting and the H Share Class Meeting or any adjourned meeting(s) thereof if you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings as set out below:

“A Share(s)”	means	the domestic ordinary share(s) of nominal value RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and traded in RMB;
“A Share Class Meeting”	means	the 2020 first A share class meeting (or any adjournments thereof) to be held on Monday, 8 June 2020 immediately after the conclusion of the Annual General Meeting;
“Administrative Measures”	means	the Administrative Measures on Share Incentives of Listed Companies (上市公司股權激勵管理辦法);
“Articles of Association”	means	the articles of association of the Company as amended, from time to time;
“Assessment Management Measures”	means	the Assessment Management Measures for the Restricted Shares Incentive Plan for 2019 of the Company;
“Board”	means	the board of Directors of the Company;
“Annual General Meeting”	means	the 2019 annual general meeting to be held at the Meeting Room, 1st Floor, Complex Building, Tsingtao Brewery Factory, No. 56 Dengzhou Road, Shibei District, Qingdao, the PRC on Monday, 8 June 2020 at 9:30 a.m.;
“Class Meetings”	means	the A Share class meeting and the H Share class meeting;
“Company”	means	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 Hong Kong Stock Exchange and A Shares are listed on the Stock Exchange;

DEFINITIONS

“Company Law”	means	the Company Law of the PRC;
“Connected Participant(s)”	means	Participant(s) who is/are connected person(s) of the Group;
“connected person(s)”	means	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“CSRC”	means	China Securities Regulatory Commission;
“Directors”	means	directors of the Company;
“First Grant”	means	the proposed grant of 13,200,000 Restricted Shares to the Participants pursuant to the Incentive Plan;
“Grant Date”	means	the date on which the Company grants the Restricted Shares to the Participants, and the Grant Date must be a trading day;
“Grant Price”	means	The price of each Restricted Share granted to the Participants;
“Group”	means	the Company and its subsidiaries;
“H Share(s)”	means	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 Hong Kong Stock Exchange and traded in Hong Kong dollars;
“H Share Class Meeting”	means	the 2020 first H share class meeting (or any adjournment thereof) to be held on Monday, 8 June 2020 immediately after the conclusion of the A Share Class Meeting;
“Hong Kong”	means	The Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	means	The Stock Exchange of Hong Kong Limited;

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“Incentive Plan”	means	Restricted A Share Incentive Plan of the Company;
“Independent Board Committee”	means	the committee formed by all independent non-executive Directors, so as to give advice to Independent Shareholders in respect of the Incentive Plan and the proposed grant to connected person(s);
“Proxy Form(s) For the Solicitation of Voting Rights by INEDs”	means	the proxy form(s) for the solicitation of votes by independent non-executive Directors sent out by Mr. JIANG Xing Lu, an independent non-executive Director, to solicit votes from the shareholders on the special resolutions in respect of the Incentive Plan and its related matters at the Annual General Meeting, A Share Class Meeting and H Share Class Meeting;
“Independent Financial Advisor” or “Guotai Junan”	means	Guotai Junan Capital Limited, being a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial advisor appointed by the Company to the Independent Board Committee and Independent Shareholders in relation to the proposed grant of Restricted Shares to Connected Participants under the Incentive Plan;
“Independent Shareholders”	means	Shareholders other than shareholders who are Connected Participants;
“Latest Practicable Date”	means	27 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein;
“Listing Rules”	means	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Lock-up Period”	means	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;

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“Notice”	means	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Plans by State-Owned Listed Companies;
“Participants”	means	the Directors, senior management personnel, 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”	means	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Proposed Grant”	means	the proposed grant of an amount not exceeding 13,500,000 Restricted Shares to the Participants pursuant to the Incentive Plan;
“Reserved Grant”	means	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”	means	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”	means	Renminbi, the lawful currency of the PRC;
“SASACQ”	means	State-owned Assets Supervision & Administration Commission of the People’s Government of Qingdao;
“Securities Law”	means	the Securities Law of the PRC;
“SFO”	means	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;

DEFINITIONS

“Shares”	means	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);
“Shareholders”	means	holder(s) of Shares;
“Stock Exchange”	means	Shanghai Stock Exchange;
“Trial Measures”	means	the Trial Measures on Implementation of Share Incentive Plans by State-Owned Listed Companies (Domestic);
“Tsingtao Group”	means	Tsingtao Brewery Group Company Limited;
“Unlocking Period”	means	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;
“Unlocking Condition(s)”	means	the conditions prescribed under the Incentive Plan which have to be satisfied to unlock the Restricted Shares granted to the Participants;
“Validity Period”	means	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
“%”	means	per cent.

LETTER FROM THE BOARD



TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

Executive Directors:

Mr. HUANG Ke Xing (*Chairman*)
Mr. YU Zhu Ming
Mr. WANG Rui Yong

Registered Address:

No. 56 Dengzhou Road
Qingdao, Shandong Province
The People's Republic of China

Non-executive Director:

Mr. SHI Kun

Business Address:

Tsingtao Beer Tower
No. 35 Donghai West Road
Qingdao,
Shandong Province
The People's Republic of China
Postal Code: 266071

Independent non-executive Directors:

Mr. YU Zeng Biao
Mr. BEN Sheng Lin
Mr. JIANG Min
Mr. JIANG Xing Lu

29 April 2020

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED ADOPTION OF THE
RESTRICTED A SHARE INCENTIVE PLAN
(2) CONNECTED TRANSACTIONS –
PROPOSED GRANT UNDER INCENTIVE PLAN**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 23 March 2020 in relation to the proposed adoption of the Restricted A Share Incentive Plan by the Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide Shareholders with further information regarding the resolutions to be proposed at the Annual General Meeting and the H Share Class Meeting in relation to the (i) Incentive Plan; (ii) Assessment Management Measures; and (iii) the grant of mandate to the Board to deal with matters pertaining the Incentive Plan, so as to enable Shareholders to make an informed decision as to how to vote at the Annual General Meeting and the H Share Class Meeting.

II. PROPOSED ADOPTION OF THE RESTRICTED A SHARE INCENTIVE PLAN

1. 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.

LETTER FROM THE BOARD

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.

2. 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.

3. 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 Latest Practicable Date. 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 Latest Practicable Date; 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 Latest Practicable Date. 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.

LETTER FROM THE BOARD

4. 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 be 638, which represents 1.62% 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 non-executive 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.

LETTER FROM THE BOARD

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 non-executive Directors and the supervisory committee of the Company as well as issue of professional opinions and legal opinions by the legal advisors, 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)

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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%
Other core management personnel of the Company, middle management personnel and core personnel (Total: 630 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.

LETTER FROM THE BOARD

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

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 of the Company and the secretary of the party committee	15	1.11	0.0111
2	Yu Zhu Ming	executive Director and chief financial officer	11	0.81	0.0081
3	Wang Rui Yong	executive Director and vice president	11	0.81	0.0081
4	Cai Zhi Wei	director of a significant subsidiary of the Group	13	0.96	0.0096
5	Yu Jia Ping	director of controlling Shareholder and supervisor of a significant subsidiary of the Group	11	0.81	0.0081
6	Hou Qiu Yan	director of a significant subsidiary of the Group	6	0.44	0.0044
7	Xu Zhen Sheng	director of a significant subsidiary of the Group	6	0.44	0.0044
8	Zhang Jian Ji	director of a significant subsidiary of the Group	5	0.37	0.0037
9	Ren Zeng Gui	supervisor of a significant subsidiary of the Group	5	0.37	0.0037
10	Zhu Guang Shun	director of controlling Shareholder and supervisor of subsidiary of the Group	5	0.37	0.0037
11	Li Bin	director of a significant subsidiary of the Group	2.5	0.18	0.0018
12	Tan Liu Bo	supervisor of a significant subsidiary of the Group	0.5	0.04	0.00037
13	He Ming Jie	supervisor of a significant subsidiary of the Group	0.5	0.04	0.00037
		Total: 13 people	91.50	6.75	0.0675

LETTER FROM THE BOARD

5. 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 subscribe 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

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 proposed summary of the Incentive Plan, which is RMB19.67 per share; and
- (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 proposed 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.

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(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.

6. 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:

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

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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 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.

LETTER FROM THE BOARD

7. 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;

LETTER FROM THE BOARD

- (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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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:

Unlocking Periods	Performance targets
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>

LETTER FROM THE BOARD

Unlocking Periods

Performance targets

Second
Unlocking
Period

- (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.
- (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.
- (3) the proportion of the Company's income from principal business to operating income for 2021 shall not be less than 90%.

Third Unlocking
Period

- (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.

LETTER FROM THE BOARD

Unlocking

Periods

Performance targets

- (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.
- (3) the proportion of the Company's income from principal business to operating income for 2022 shall not be less than 90%.

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.

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- (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

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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.

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8. 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.

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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.

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(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:

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

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

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(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.

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9. 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;

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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;.

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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 advisor 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 Grant Price and number of Restricted Shares, the Company shall submit such adjustment for the consideration and approval by the shareholders in general meeting.

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10. Procedures of Implementation of The Restricted Shares Incentive Plan

- (I)* The nomination and remuneration committee of the Company is responsible for preparing the proposal 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 non-executive 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.

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(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 non-executive 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 non-executive 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.

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- (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 advisor 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.

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- (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.

11. 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

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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 transferal 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 transferal, 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 deducing 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;

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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.

12. Amendments to and Termination of the Incentive Plan

(1) 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;

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- (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.

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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 non-executive 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

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- (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.

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- (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 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.

LETTER FROM THE BOARD

(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.

LETTER FROM THE BOARD

3. In the event that the Company repurchases the Restricted Shares according to the Incentive Plan, the repurchase price shall be the Grant Price, unless otherwise specified in the Incentive Plan.
4. The procedures for repurchase and cancellation of the Restrictive Shares, including but not limited to the determination of the repurchase price, shall be conducted in accordance with the terms and procedures as prescribed by the Incentive Plan.

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

13. 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.

LETTER FROM THE BOARD

(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.

LETTER FROM THE BOARD

(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.

14. 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.

15. Reasons for and Benefits of the Adoption of the Incentive Plan

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

The Incentive Plan aims to, among others, 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.

LETTER FROM THE BOARD

16. Listing Rules Implications

As certain Participants of the First Grant are the Company's executive Directors and directors and supervisors of significant subsidiaries of the Company, 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.

In addition, subsequent grant of the reserved Restricted Shares pursuant to the Incentive Scheme may involve connected persons of the Company and, in such circumstances, 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. At that time, the Company will comply with all applicable requirements pursuant to the Listing Rules.

17. Independent Board Committee and Independent Financial Advisor

The Company has established an Independent Board Committee to advise the Independent Shareholders in respect of the adoption of the Incentive Plan and the proposed First Grant of Restricted Shares to Connected Participants. The full text of a letter of advice prepared by the Independent Board Committee is set out on pages 50 to 51 of this circular.

The Company has appointed Guotai Junan as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Grant of Restricted Shares to Connected Participants under the Incentive Plan. The full text of a letter of advice prepared by Guotai Junan is set out on pages 52 to 73 of this circular.

III. ANNUAL GENERAL MEETING AND H SHARE CLASS MEETING

The notices of convening the Annual General Meeting and the H Share Class Meeting, the proxy forms and the reply slips were published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tsingtao.com.cn) on 21 April 2020.

LETTER FROM THE BOARD

If you are qualified for and intend to attend the Annual General Meeting and the H Share Class Meeting, please complete the reply slips in accordance with the instructions printed thereon, and return the reply slips on or before 18 May 2020 (Monday). Any Shareholder(s) entitled to attend and vote at the Annual General Meeting and the H Share Class Meeting are entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. Shareholders who intend to appoint proxy to attend the Annual General Meeting and the H Share Class Meeting must complete the proxy forms in accordance with the instructions printed thereon and return them not later than 24 hours before the holding of the relevant meetings or any adjourned meeting(s) (as the case may be). The holders of H Shares should return the proxy forms and/or the Proxy Form For the Solicitation of Voting Rights to the Company's H Shares share registrar, Hong Kong Registrars Limited at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong Completion and return of the proxy forms shall not preclude you from attending and voting in person at the Annual General Meeting and the H Share Class Meeting or any adjourned meeting(s) thereof if you so wish.

In accordance with relevant provisions of the Administration Measures issued by the CSRC and pursuant to the appointment by other independent non-executive Directors, Mr. JIANG Xing Lu, an independent non-executive Director, as the soliciting party, solicits voting rights from all Shareholders in connection with the resolutions to be considered at the Annual General Meeting and the H Share Class Meeting to be held on 8 June 2020, which include to consider and approve the (i) Incentive Plan; (ii) Assessment Management Measures; and (iii) grant of mandate to the Board to deal with matters pertaining the Incentive Plan. A holder of H Shares who decides to appoint the soliciting party as a proxy to vote on his behalf should appoint Mr. JIANG Xing Lu as proxy for all the special resolutions in the "Proxy Form For the Solicitation of Voting Rights by Independent Non-executive Directors Applicable at the 2019 Annual General Meeting" and the "Proxy Form For the Solicitation of Voting Rights by Independent Non-executive Directors Applicable at the 2020 First H Share Class Meeting", which were published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tsingtao.com.cn) on 21 April 2020. For details of procedures and steps of solicitation of voting rights and the voting, please refer to the overseas regulatory announcement dated 21 April 2020 published by the Company in relation to the report of the solicitation of voting rights by the independent non-executive Director.

LETTER FROM THE BOARD

IV. CLOSURE OF REGISTER OF MEMBERS FOR H-SHARE

In order to determine the list of holders of H Shares entitled to attend the Annual General Meeting and the H Share Class Meeting, the register of members for H Shares of the Company will be closed from 8 May 2020 to 8 June 2020 (both days inclusive), during which no transfer of H Shares will be registered. The share transfer documents of H Shares of the Company should be lodged with Hong Kong Registrars Limited before 4:30 p.m. on 7 May 2020. All holders of H Shares or their proxies being registered in register of members of the Company after the close of business on 8 May 2020 are entitled to attend the Annual General Meeting and the H Share Class Meeting by presenting their identity documents. The Company's H Shares registrar is Hong Kong Registrars Limited, the address of which is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

V. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from Independent Financial Advisor, respectively, which set out their recommendations in respect of the Proposed Grant of Restricted Shares to the Connected Participants and the principal factors considered by them in arriving at their recommendations.

The Directors (including the independent non-executive Directors) consider that the Incentive Plan and Assessment Management Measures as well as the Proposed Grant of Restricted Shares to the Participants (including Connected Participants) is on normal commercial terms and in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting and the H Share Class Meeting. The list of Participants (including the Connected Participants) for the Proposed Grant has been approved by the 3rd extraordinary meeting of the 9th session of the Board in 2020.

LETTER FROM THE BOARD

As at the Latest Practicable Date, except Mr. HUANG Ke Xing being considered as holding 26,502 A shares of the Company (1,300 shares were directly held by Mr. HUANG Ke Xing, and 25,202 shares were held by Mr. HUANG Ke Xing's spouse) (accounting for approximately 0.00196% of the Company's total share capital), all other connected persons set out on page 12 did not hold any shares of the Company. Accordingly, except Mr. HUANG Ke Xing being required to abstain from voting at the Annual General Meeting and A Share Class Meeting, no other shareholders are required to abstain from voting on the relevant resolutions at the Annual General Meeting and A Share Class Meeting.

As being the Participants for the Proposed Grant under the Incentive Plan, the Directors, namely Mr. HUANG Ke Xing, Mr. YU Zhu Ming, and Mr. WANG Rui Yong, are considered as having material interests of the Incentive Plan, and accordingly each of them has abstained from voting on the resolution at the relevant Board meetings.

VI. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at Annual General Meeting and the H Share Class Meeting must be taken by poll except where the chairman, in good faith, decides to allow resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. When the Annual General Meeting and the H Share Class Meeting are ended, the Company shall announce the voting results pursuant to the way stipulated in Rule 13.39(5) of the Listing Rules.

Yours faithfully,
By order of the Board
Tsingtao Brewery Company Limited
HUANG Ke Xing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



TSINGTAO BREWERY COMPANY LIMITED

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

(Stock Code: 168)

29 April 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED ADOPTION OF THE
RESTRICTED A SHARE INCENTIVE PLAN
(2) CONNECTED TRANSACTIONS –
PROPOSED GRANT UNDER INCENTIVE PLAN**

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders in accordance with the Listing Rules as to our opinion on, the terms of the Incentive Plan and the Proposed Grant, details of which are set out in the circular issued by the Company to the Shareholders dated 29 April 2020 (the “Circular”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As certain Participants of the Proposed Grant under the Incentive Plan are the Company’s executive Directors and directors and supervisors of significant subsidiaries of the Company, they are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the grant of Restricted Shares to the Connected Participants contemplated under the Incentive Plan will constitute non-exempt connected transactions of the Company which are subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

We wish to draw the attention of the Independent Shareholders to the letter from the Board and the letter of advice from Guotai Junan, set out on pages 6 to 49 and pages 52 to 73 of the Circular.

Having taken into account the principal factors and reasons considered by the Independent Financial Advisor, its conclusion and advice, we concur with the view of the Independent Financial Advisor and is of the view that the Proposed Grant of Restricted Shares to Connected Participants in accordance with the Incentive Plan are fair and reasonable, are conducted in the ordinary and usual course of business of the Group on normal commercial terms or better and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the Annual General Meeting and the H Share Class Meeting to approve the adoption of the Incentive Plan involving the Proposed Grant of Restricted Shares to Connected Participants.

Yours faithfully,
Independent Board Committee of
Tsingtao Brewery Company Limited
Independent Non-executive Directors
Mr. YU Zeng Biao, Mr. BEN Sheng Lin,
Mr. JIANG Min, and Mr. JIANG Xing Lu

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Set out below is the text of a letter received from Guotai Junan, the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders in relation to the Connected Grant for the purpose of inclusion in this circular.



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

29 April 2020

To: *The Independent Board Committee and
the Independent Shareholders*

Dear Sir/Madam,

CONNECTED TRANSACTIONS CONNECTED GRANT UNDER THE INCENTIVE PLAN

INTRODUCTION

We refer to our appointment as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of Restricted Shares to Connected Participants (as defined below) under the Incentive Plan (the “**Connected Grant**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 29 April 2020 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in this Circular.

The Company announced that the Board approved the relevant resolution in relation to the proposed adoption of the Incentive Plan on 23 March 2020 (the “**Announcement Date**”), the announcement of which was published on the Hong Kong Stock Exchange on the same day. The Incentive Plan shall become effective upon approval of SASACQ as well as consideration and approval of the Annual General Meeting and the Class Meetings of the Company.

According to the Incentive Plan as mentioned in the Board Letter, 13,500,000 Restricted Shares are proposed to be granted, accounting for approximately 0.9993% of the Company's total share capital of 1,350,982,795 Shares (“**Total Share Capital**”) as at the Latest Practicable Date. Specifically, 13,200,000 Restricted Shares will be granted under

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

the First Grant, accounting for approximately 0.9771% of the Total Share Capital as at the Latest Practicable Date, and accounting for approximately 97.78% of the total 13,500,000 Restricted Shares proposed to be granted under the Incentive Plan. The remaining 300,000 Restricted Shares will be reserved, accounting for approximately 0.0222% of the Total Share Capital as at the Latest Practicable Date, and accounting for approximately 2.22% of the total 13,500,000 Restricted Shares proposed to be granted under the Incentive Plan.

In addition, as noted from the Board Letter, among the total of 13,200,000 Restricted Shares under the First Grant: (i) 915,000 Restricted Shares will be granted to 13 connected persons of the Company (the “**Connected Participants**”); and (ii) 12,285,000 Restricted Shares will be granted to 625 other Participants.

With reference to the Board Letter, the Connected Grant constitutes connected transactions of the Company which is subject to reporting, announcement and Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Yu Zengbiao, Mr. Ben Shenglin, Mr. Jiang Min, and Mr. Jiang Xinglu (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Connected Grant are on normal commercial terms or better and fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Connected Grant at the Annual General Meeting and the H Share Class Meeting. We, Guotai Junan Capital Limited, have been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

Apart from the normal professional fees for our services to the Company in connection with our appointment as the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders as described above, no arrangement exists whereby we shall receive any other fees and benefits from the Group or where appropriate, any of their respective associates. We are independent from and not connected with the Group or where appropriate, any of its respective substantial shareholders, Directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules. In the past two years, there was no engagement between the Group and us. Therefore, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in relation to the Connected Grant.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all statement, information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete in all respects at the time when they were made and will continue to be so at the date hereof and were made after due and careful consideration. We have also assumed that all statements of belief, expectation, opinion and intention made by the management of the Company and the Directors in the Circular were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors collectively and individually accept full responsibility for the accuracy of the information, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company, in the Circular. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Advisor, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Participants (including the Connected Participants) or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the proposed adoption of the Incentive Plan. Our opinion is necessarily based on the financial, economic, market, regulatory and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is our responsibility to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Connected Grant, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Connected Grant

(i) Information on the Group

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

Set out below is a summary of the key consolidated financial information of the Group for the two years ended 31 December 2018 and 2019 as extracted from the Company's annual results announcement for the year ended 31 December 2019 dated 27 March 2020 (the "2019 Annual Results Announcement")

	For the year ended 31 December	
	2019	2018
	RMB	RMB
	(audited)	(audited)
Revenue	27,983,760,363	26,575,255,205
Net profit attributable to the Shareholders	1,852,103,376	1,422,199,705

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

As noted from the 2019 Annual Results Announcement, (i) the revenue of the Group reached to approximately RMB27.98 billion in 2019 with a year-on-year increase of approximately 5.3% compared to 2018; and (ii) net profit attributable to the Shareholders reached to approximately RMB1.85 billion in 2019 with a year-on-year increase of approximately 30.2% compared to 2018.

Having said that the Group recorded an improvement on the financial results in 2019, as noted from the 2019 Annual Results Announcement and based on our understanding from the Company, (i) COVID-19 pandemic has caused severe impacts to the consumption market, such as catering market since the beginning of 2020 and during the two months ended 29 February 2020, the Group suffered a period-on-period decrease of (1) approximately 20% in revenue; and (2) approximately 40% in profits, based on its unaudited management accounts for the two months ended 29 February 2020 as compared to the same period in 2019; and (ii) the orders for our beer products from overseas and exports for March and April 2020 are declining substantially due to the global COVID-19 outbreak.

Moreover, the 2019 Annual Results Announcement also mentioned that in 2020, by taking advantages of the favorable opportunity of proposing and implementing the Incentive Plan, the Board and the management of the Company will, among other matters, (i) lead all staff and improve its reward and restraint mechanism; (ii) promote staff motivation and creativity; and (iii) drive the Company towards high-quality, next-level development, creating higher values for its Shareholders.

(ii) Information on the Connected Participants

With reference to the Board Letter, 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 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. Persons who are under certain circumstances may not be participants, details of which are set out under the section headed “Participants to be covered” of the Board Letter.

The Company advised us that after finalising the identifications of all Participants (i.e. (i) Directors and senior management personnel of the Company (excluding non-executive Directors, independent Directors and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

supervisors of the Company (the “Supervisors”)); (ii) other core management personnel of the Company; and (iii) middle management personnel of the Company and core personnel of the Company) under the First Grant, the Company identified if such Participants are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Company identified Mr. Huang Kexing, Mr. Yu Zhuming, Mr. Wang Ruiyong, Mr. Cai Zhiwei, Mr. Yu Jiaping, Mr. Hou Qiuyan, Mr. Xu Zhensheng, Mr. Zhang Jianji, Mr. Ren Zenggui, Mr. Zhu Guangshun, Ms. Li Bin, Mr. Tan Liubo and Mr. He Mingjie as the connected persons of the Company under Chapter 14A of the Listing Rules.

Details of the Connected Participants as provided by the Company are set out below:

	Name	Major positions
1.	Mr. Huang Kexing	Chairman of the Company and the Secretary of the Party Committee
2.	Mr. Yu Zhuming	Executive Director and chief financial officer of the Company
3.	Mr. Wang Ruiyong	Executive Director and vice president of the Company
4.	Mr. Cai Zhiwei	President of marketing department of the Company and director of a significant subsidiary of the Group
5.	Mr. Yu Jiaping	Director of the controlling shareholder of the Company and supervisor of a significant subsidiary of the Group
6.	Mr. Hou Qiuyan	Director of a significant subsidiary of the Group
7.	Mr. Xu Zhensheng	Director of a significant subsidiary of the Group
8.	Mr. Zhang Jianji	Director of a significant subsidiary of the Group
9.	Mr. Ren Zenggui	Supervisor of significant subsidiaries of the Group
10.	Mr. Zhu Guangshun	Director of the controlling shareholder of the Company and supervisor of a significant subsidiary of the Group
11.	Ms. Li Bin	Director of a significant subsidiary of the Group
12.	Mr. Tan Liubo	Supervisor of a significant subsidiary of the Group
13.	Mr. He Mingjie	Supervisor of a significant subsidiary of the Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

Mr. Huang Kexing is the chairman of the Company and Secretary of the Party Committee. Mr. Huang joined the Group in 1986. He is responsible for leading and establishing the overall development strategy, and assessing the implementation of the Board resolutions. He has been acting as the chairman of the Company since May 2018 and has been acting as the executive Director of the Company since June 2013.

Mr. Yu Zhuming is the executive Director and chief financial officer of the Company. Mr. Yu joined the Group in 1979. He is responsible for establishing and improving the financial management system, which matches the development pattern and strategic position of the Company. He has been acting as the executive Director of the Company since June 2014.

Mr. Wang Ruiyong is the executive Director and vice president of the Company. Mr. Wang Ruiyong joined the Group in 1984. He is responsible for organization and innovation management, establishment and management of informationization and legal affairs. He has been acting as the executive Director of the Company since June 2018.

Mr. Cai Zhiwei is the president of marketing department of the Company and the director of a significant subsidiary of the Group. Mr. Cai Zhiwei joined the Group in 1988. He is responsible for product sales.

Mr. Yu Jiaping is the director of the controlling shareholder of the Company and the supervisor of a significant subsidiary of the Group. Mr. Yu Jiaping joined the Group in 1983. He is responsible for the party establishment.

Mr. Hou Qiuyan is the director of a significant subsidiary of the Group. Mr. Hou Qiuyan joined the Group in 1999. He is responsible for the accounting, taxation and financial management.

Mr. Xu Zhensheng is the director of a significant subsidiary of the Group. Mr. Xu Zhensheng joined the Group in 1980. He is responsible for the daily operation.

Mr. Zhang Jianji is the director of a significant subsidiary of the Group. Mr. Zhang Jianji joined the Group in 1995. He is responsible for the daily operation

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Mr. Ren Zenggui is the supervisor of significant subsidiaries of the Group. Mr. Ren Zhenggui joined the Group in 1986. He is responsible for the risk management, internal control assessment and internal audit.

Mr. Zhu Guangshun is the director of the controlling shareholder of the Company and supervisor of a significant subsidiary of the Group. Mr. Zhu Guangshun joined the Group in 2011. He is responsible for the financial management.

Ms. Li Bin is the director of a significant subsidiary of the Group. Ms. Li Bin joined the Group in 1995. She is responsible for the financial management.

Mr. Tan Liubo is the supervisor of a significant subsidiary of the Group. Mr. Tan Liubo joined the Group in 1995. He is responsible for the construction projects and facilities management.

Mr. He Mingjie is the supervisor of a significant subsidiary of the Group. Mr. He Mingjie joined the Group in 2000. He is responsible for the financial management.

(iii) Reasons for and benefits of the Connected Grant

With reference to the Board Letter and as per our understanding from the Company, the Incentive Plan aims to, among others, 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, the Group and the Participants to focus on the long-term development of the Group and achieve the development goals of the Group. 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.

With reference to the Board Letter, 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. Based on our independent research as included in the Comparable Table (as defined below), we noted that it is a common practice for listed companies in the Shanghai Stock Exchange to adopt restricted share incentive plan for their personnel and employees (which include the directors and senior management of the listed companies).

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With reference to the Board Letter and as confirmed by the Company, (i) the nomination and remuneration committee of the Company (the “**Nomination and Remuneration Committee**”) is responsible for preparing the proposal of the Incentive Plan and has established sound procedural rules; (ii) the Board 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; (iii) upon approval by the Board, the Incentive Plan must be examined and approved by SASACQ; (iv) the Incentive Plan will be submitted to the general meeting and the Class Meetings of the Company for consideration and approval after obtaining the approval of SASACQ; (v) when the Incentive Plan is voted at the general meeting and the Class Meetings of the Company, the independent non-executive 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; (vi) prior to the granting and unlocking of the Restricted Shares to the Participants by the Company, the Board shall consider and confirm whether the Participants have satisfied the conditions for granting and unlocking the Restricted Shares; and (vii) prior to the granting and unlocking of the Restricted Shares to the Participants by the Company, the independent non-executive Directors and the supervisory committee of the Company (the “**Supervisory Committee**”) shall simultaneously issue clear opinions as to whether the Participants have satisfied the conditions for granting and unlocking the Restricted Shares. As confirmed by the Company, the members of the Nomination and Remuneration Committee and Supervisors would not be the Participants at the First Grant under the Incentive Plan. Based on the above, it is expected that the Incentive Plan can be implemented fairly and impartially.

Having considered the above reasons and that (i) the Connected Participants hold senior positions and play significant roles in the Group; (ii) the Connected Grant can motivate the Connected Participants to make contributions to the Group, among other matters, in the current situation of the global COVID-19 outbreak; (iii) adopting restricted share incentive plan for personnel and employees is a common practice for listed companies in the Shanghai Stock Exchange; and (iv) there will not be any actual cash paid by the Group to the Connected Participants under the Connected Grant, we concur with the Directors that the Connected Grant is in the interests of the Company and the Shareholders as a whole.

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2. Principal terms of the Connected Grant

Set out below are the principal terms of the Connected Grant. Details of the terms of the Connected Grant are set out under the section headed “Allocation of the Restricted Shares to be granted to the Participants” of the Board Letter.

(i) Number of Restricted Shares under the Connected Grant

The number of Restricted Shares to be granted to each of Connected Participants ranged from approximately 0.0004% to 0.0111% of Total Share Capital as at the Latest Practicable Date. Details of number of Restricted Shares to be granted to the Connected Participants are set out under the section headed “Allocation of the Restricted Shares to be granted to the Participants” of the Board Letter. Moreover, with reference to the Board Letter, the total number of Restricted Shares to be granted to the Participants under the Incentive Plan does not exceed 1% of the Total Share Capital, and the total number of A Shares to be granted under all effective incentive plan of the Company does not exceed 10% of the Total Share Capital as at the date when the Incentive Plan is submitted to the general meeting.

Upon our enquiry, the Company advised that when determining the numbers of Restricted Shares to be granted, the Company considered various factors including (i) the positions and seniority; (ii) the responsibilities; and (iii) the business units and specialized aspects, of the Participants. The Company further advised that such allocation basis on the number of Restricted Shares to be granted to the Participants and the proposed Incentive Plan have been confirmed by the Nomination and Remuneration Committee whose members would not be the Participants at the First Grant under the Incentive Plan.

To further assess the fairness and reasonableness of the number of Restricted Shares to be granted to the Connected Participants and to the best of our knowledge, we identified 22 restricted A shares incentive plan which were first announced by listed companies (the “**Comparable Companies**”) on the Main Board of the Shanghai Stock Exchange from 1 December 2019 to 23 March 2020, which is the Announcement Date. The table below sets out the summary of principal terms of the restricted A shares incentive plan proposed by the Comparable Companies (the “**Comparable Table**”):

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Date of announcement	Company name	Stock code	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive plan (Note 1)	Unlocking provision over a period of time	Lock-up period from the grant date or the date on which the grant has been registered	Proportion of shares to be unlocked during the unlocking period	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies	Validity period of respective restricted A share incentive plan	Adjustment for the number and the grant price of restricted A shares	Percentage of the restricted A shares to be granted to individual director/senior management A shares to be granted to the total share capital of the listed company as at the date of respective incentive plan announced
1	Shenzhen Goodix Technology Co., Ltd.	603160.SH	50%	Y	14 months 26 months 38 months 50 months	22% 24% 26% 28%	Y	62 months	Y	N/A (Note 2) 0.07%
2	Guangdong Wencan Die Casting Co., Ltd.	603348.SH	50%	Y	12 months 24 months 36 months	40% 30% 30%	Y	48 months	Y	0.23% 4.58%
3	Beijing Tricolor Technology Co., Ltd.	603516.SH	50%	Y	12 months 24 months 36 months	30% 30% 30%	Y	48 months	Y	0.04% to 0.08% 1.78%
4	Shandong Gold Phoenix Co., Ltd	603586.SH	N/A (Note 3)	Y	36 months 12 months 24 months	40% 50% 50%	Y	36 months	Y	0.10% 1.46%
5	Shenzhen Kinwong Electronic Co., Ltd.	603228.SH	50%	Y	12 months 24 months 36 months 48 months	20% 20% 30% 30%	Y	60 months	Y	N/A (Note 2) 1.33%
6	Shandong Linglong Tyre Co., Ltd.	601966.SH	50%	Y	12 months 24 months 36 months	30% 30% 40%	Y	48 months	Y	0.02% 1.07%

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Date of announcement	Company name	Stock code	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive plan (Note 1)	Unlocking provision over a period of time	Lock-up period from the grant date or the date on which the grant has been registered	Proportion of shares to be unlocked during the unlocking period	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies	Validity period of respective restricted A share incentive plan	Adjustment for the number and the grant price of restricted A shares	Percentage of the restricted A shares to be granted to individual director/senior management A shares to be granted to the total share capital of the listed company as at the date of respective incentive plan announced	
7	13/12/2019	Avic Capital Co., Ltd	600705.SH	60%	Y	24 months 36 months 48 months 60 months	25% 25% 25% 25%	Y	72 months	Y	0.01% 0.65%
8	14/12/2019	Ningbo Yongxin Optics Co., Ltd.	603297.SH	50%	Y	12 months 24 months 36 months	30% 30% 40%	Y	48 months	Y	N/A (Note 2) 1.24%
9	21/12/2019	Kunshan Kersen Science & Technology Co., Ltd.	603626.SH	50%	Y	12 months 24 months 36 months	40% 30% 30%	Y	48 months	Y	0.04% to 0.63% 2.61%
10	21/12/2019	Jiangsu Financial Leasing Co., Ltd.	600901.SH	50% (Note 4)	Y	24 months 36 months 48 months	1/3 1/3 1/3	Y	60 months	Y	0.04% to 0.06% 0.99%
11	30/12/2019	Wuxi Shangji Automation Co., Ltd.	603185.SH	50.04%	Y	12 months 24 months 36 months	40% 30% 30%	Y	60 months	Y	0.02% 1.41%
12	30/12/2019	Avic Heavy Machinery Co., Ltd.	600765.SH	70%	Y	24 months 36 months 48 months	33.3% 33.3% 33.4%	Y	60 months	Y	0.0214% to 0.0321% 0.83%

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Date of announcement	Company name	Stock code	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive plan (Note 1)	Unlocking provision over a period of time	Lock-up period from the grant date or the date on which the grant has been registered	Proportion of shares to be unlocked during the unlocking period	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies	Validity period of respective restricted A share incentive plan	Adjustment for the number and the grant price of restricted A shares	Percentage of the restricted A shares to be granted to individual director/senior management A shares to be granted to the total share capital of the listed company as at the date of respective incentive plan announced	
13	31/12/2019	China Kings Resources Group Co., Ltd.	603505.SH	50%	Y	12 months	35%	Y	48 months	Y	0.06% to 1.04%
						24 months	35%				0.21%
						36 months	30%				
14	31/12/2019	China Automotive Engineering Research Institute Co., Ltd	601965.SH	70%	Y	24 months	40%	Y	60 months	Y	0.03% to 2.97%
						36 months	30%				0.04%
						48 months	30%				
15	31/12/2019	Xinjiang Guannong Fruit & Antler Co., Ltd.	600251.SH	50%	Y	24 months	1/3	Y	72 months	Y	0.03% to 1.00%
						36 months	1/3				0.04%
						48 months	1/3				
16	2/1/2020	Haohua Chemical Science & Technology Corp., Ltd.	600378.SH	60%	Y	24 months	33%	Y	72 months	Y	0.01% to 2.54%
						36 months	33%				0.03%
						48 months	34%				
17	17/1/2020	Zboom Home Collection Co., Ltd	603801.SH	N/A (Note 6)	Y	12 months	50%	Y	36 months	Y	N/A (Note 2)
						24 months	50%				2.14%
18	30/1/2020	Great Wall Motor Company Limited	601633.SH	50%	Y	12 months	50%	Y	48 months	Y	0.004% to 0.74%
			2333.HK			24 months	30%				0.022%
						36 months	20%				

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Date of announcement	Company name	Stock code	Percentage of the grant price to the average stock price for the shares being granted under restricted A share incentive plan (Note 1)	Unlocking provision over a period of time	Lock-up period from the grant date or the date on which the grant has been registered	Proportion of shares to be unlocked during the unlocking period	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies	Validity period of respective restricted A share incentive plan	Adjustment for the number and the grant price of restricted A incentive plan shares	Percentage of the restricted A shares to be granted to individual director/senior management A shares to the total share capital of the listed company as at the date of respective incentive plan announced
19	Fujian Aomong Biological Technology Group Incorporation Limited	603363.SH	50%	Y	12 months 24 months 36 months	40% 30% 30%	Y	60 months	Y	0.05% to 0.18% 2.58%
20	Xiamen Goldenhome Co., Ltd.	603180.SH	50% (Note 7)	Y	12 months 24 months	50% 50%	Y	48 months	Y	0.01% to 0.14% 1.92%
21	Sunstone Development Co., Ltd.	603612.SH	50%	Y	12 months 24 months	50% 50%	Y	48 months	Y	0.06% to 0.14% 2.60%
22	People.cn Co., Ltd	603000.SH	50% (Note 8)	Y	36 months 48 months 60 months 72 months	25% 25% 25% 25%	Y	84 months	Y	N/A (Note 2) 0.65%

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	Percentage of the restricted A shares to be granted to individual director/ senior management	Percentage of the restricted A shares to be granted to the total share capital of the listed company as at the date of respective incentive plan announced	Percentage of the restricted A shares to be granted to the total share capital of the listed company as at the date of respective incentive plan announced	Proportion of shares to be unlocked during the first unlocking period (Note 9)	Proportion of shares to be unlocked during the second unlocking period (Note 9)	Proportion of shares to be unlocked during the third unlocking period (Note 9)	Validity period of respective restricted A share incentive plan
Lowest	50%	0.004%	0.07%	20%	20%	20%	36 months
Highest	70%	0.63%	4.58%	50%	50%	40%	84 months

Note:

- 1 The average stock price for the shares being granted under restricted A share incentive plans was determined based on a percentage of the higher of (i) the closing price/average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive plan (the “**Incentive Plan Announcement Date**”); and (ii) the average trading price of the subject A shares for the last 20/60/120 trading days preceding the Incentive Plan Announcement Date.
- 2 No restricted A shares were granted to individual director or senior management under the restricted A share incentive plan.
- 3 The initial grant price of Shandong Gold Phoenix Co., Ltd was determined based on 50% of the average repurchased prices (i.e. RMB15.6349) of its A shares.
- 4 The initial grant price of Jiangsu Financial Leasing Co., Ltd. was determined based on 50% of the higher of (i) the average trading price of the subject A shares on the trading day preceding the Incentive Plan Announcement Date; (ii) the average trading price of the subject A shares for the last 20/60/120 trading days preceding the Incentive Plan Announcement Date; (iii) the closing price of the subject A shares on the trading day preceding the Incentive Plan Announcement Date; (iv) average closing price of the subject A shares for the last 30 trading days preceding the Incentive Plan Announcement Date; and (v) the latest net asset value per share of the company.

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- 5 The initial grant price of Xinjiang Guannong Fruit & Antler Group Co Ltd was determined based on 50% of the higher of (i) the average trading price of the subject A shares on the trading day preceding the Incentive Plan Announcement Date; (ii) the average trading price for the last 20 trading days of the subject A shares on the trading day preceding the Incentive Plan Announcement Date; (iii) the closing price of the subject A shares on the trading day preceding the Incentive Plan Announcement Date; and (iv) average closing price of the subject A shares for the last 30 trading days preceding the Incentive Plan Announcement Date.
- 6 The initial grant price of Zbom Home Collection Co., Ltd was determined based on 50% of the average repurchased prices (i.e. RMB19.30) of its A shares.
- 7 The initial grant prices of Xiamen Goldenhome Co., Ltd. was determined based on (i) 50% of the higher of (1) average trading price of trading day; or (2) last 20 trading days immediately preceding the Incentive Plan Announcement Date; and (ii) 50% of the average repurchased prices (i.e. RMB56.90) for the repurchased shares.
- 8 The initial grant price of People.cn Co., Ltd was determined based on 50% of the higher of (i) the average trading price of the subject A shares on the trading day preceding the Incentive Plan Announcement Date; (ii) the average trading price for the last 20 trading days of the subject A shares on the trading day preceding the Incentive Plan Announcement Date; (iii) the closing price of the subject A shares on the trading day preceding the Incentive Plan Announcement Date; and (iv) average closing price of the subject A shares for the last 30 trading days preceding the Incentive Plan Announcement Date.
- 9 The proportion of shares to be unlocked during fourth unlocking period is not shown because the restricted A share incentive plans of most of the Comparable Companies only have 3 unlocking periods.

Source: <http://www.cninfo.com.cn/>

As depicted from the Comparable Table, the percentage of the restricted A shares to be granted to individual director/senior management of the Comparable Companies (save for those did not propose to grant to individual director/senior management) to the total share capital of the Comparable Companies ranged from 0.004% to 0.63% (the “**Comparable Percentage Range**”). The maximum number of Restricted Shares to be granted to the Connected Participants is approximately 0.0111% of the Total Share Capital as at the Latest Practicable Date which falls within the Comparable Percentage Range.

Having considered the above, we are of the view that the numbers of Restricted Shares to be granted to the Connected Participants are fair and reasonable so far as the Independent Shareholders are concerned.

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(ii) The Grant Price

With reference to the Board Letter, the Grant Price of the Restricted Shares under the First Grant of the Incentive Plan shall be RMB21.73 per A Share. Upon fulfillment of grant conditions, each Participant is entitled to subscribe Restricted Shares newly issued to the Participants by the Company at the price of RMB21.73 per A Share.

With reference to the Board Letter, the Grant Price of the Restricted Shares granted by the Company shall be determined according to the principle of fair market, and shall be the higher of the following prices: (i) 50% of the average trading price of the A Shares of the Company on the last trading day immediately preceding the Announcement Date (i.e. RMB19.47 per A Share); (ii) 50% of the average trading price of the A Shares of the Company for the last 20 trading days immediately preceding the Announcement Date (i.e. RMB21.27 per A Share); (iii) 50% of the closing price of the A Shares of the Company on the last trading day immediately preceding the Announcement Date (i.e. RMB19.67 per A Share); and (iv) 50% of the average closing price of the A Shares of the Company for the last 30 trading days immediately preceding the Announcement Date (i.e. RMB21.73 per A Share).

As advised by the Company, the Grant Price has to comply with the requirements set out under the Administrative Measures promulgated by the CSRC, which requires the issue price of new shares (i) not to be set at a price lower than its nominal value; and (ii) principally not to be set at a price lower than the highest of the (a) 50% of the average trading price on the last trading day immediately preceding the date of announcement of the A shares incentive plan; and (b) 50% of one of the average trading prices for the last 20, 60 or 120 trading days immediately preceding the date of announcement of the A shares incentive plan. If a listed company adopts other approaches to determine grant price of restricted A shares, detailed basis of determination of such grant price should be disclosed in the A shares incentive plan. As demonstrated above, the Grant Price complies with the Administrative Measures.

As demonstrated in the Comparable Table, the majority of the Comparable Companies' grant prices were determined based on 50% of the benchmark price (being the higher of (i) the closing price/average trading price of the subject A shares on the last trading day immediately preceding the date of announcement of the A shares incentive plan; and (ii) the average trading price of the subject A shares for the last 20, 60 or 120 trading days immediately preceding the date of announcement of the A shares incentive plan).

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In view of the above and considering that (i) the Grant Price complied with the Administrative Measures; (ii) the basis for determining the Grant Price is principally in line with the market practice; (iii) as noted from the announcement of the Company dated 1 April 2020, the Incentive Plan has been approved by the SASACQ; and (iv) the fact that all Participants (including the Connected Participants) are subject to the same Grant Price, we are of the view that the Grant Price is fair and reasonable so far as the Independent Shareholders are concerned.

(iii) *The Validity Period and unlocking conditions (the “Unlocking Conditions”)*

With reference to the Board Letter, the Validity Period of the Incentive Plan 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.

The Lock-up Periods 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, used as guarantee or repayment of debt during the Lock-up Period.

Prior to the date of unlocking, the Company shall confirm whether the Participants have satisfied the Unlocking Conditions. The Board shall consider whether the Unlocking Conditions 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 portion as held by them. As noted from the Board Letter, in the event that the Company repurchases the Restricted Shares according to the Incentive Plan, the repurchase price shall be the Grant Price, unless otherwise specified in the Incentive Plan and the procedures for repurchase and cancellation of the Restricted Shares, including but not limited to the determination of the repurchase price, shall be conducted in accordance with the terms and procedures as prescribed by the Incentive Plan.

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We obtain an understanding from the Company that the adjustment on the Restricted Shares received by the Participants due to capitalization issue, bonus issue, share split, rights issue or consolidation of shares shall also be subject to lock-up restriction, and shall not be disposed in the secondary market or otherwise transferred until they are unlocked. The Unlocking Period of such number of shares after adjustment shall be the same as those of the Restricted Shares. Where the Company repurchases Restricted Shares which have not been unlocked, such number of shares after adjustment shall be repurchased and cancelled together with those Restricted Shares.

Certain conditions must be fulfilled before the Company can grant the Restricted Shares or the Restricted Shares granted can be unlocked under the Incentive Plan. Details of the Unlocking Conditions (including the performance indicators) are set out under Appendix I to the Circular.

Notwithstanding the aforementioned stipulations, at the unlocking of the final batch 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 among other matters, his/her performance appraisal during his/her term of senior management office.

We are of the view that the Unlocking Conditions and further lock-up for the Directors and senior management of the Company upon third Unlocking Period will tighten the linkage between the interest of the Company and Participants (including the Connected Participants) who have senior positions of the Group. It is expected that such arrangement would be able to incentivize the Connected Participants to put efforts on achieving the performance targets, which will contribute to the growth and development of the Group.

In addition, as demonstrated from the Comparable Table, we note that it is common practice for Comparable Companies to have conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies in their restricted A shares incentive plans.

(iv) Adjustments

Number of Restricted Shares and the Grant Price are subject to adjustments according to various situations (e.g. capitalisation issue, bonus issue, share

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split, rights issue and consolidation of shares). For details, please refer to section headed “Method of adjusting the number of the Restricted Shares” and “Method of adjusting the Grant Price of Restricted Shares” as contained in Appendix I to the Circular. We noted that the calculation formulae of adjustments to number of Restricted Shares and the Grant Price are comparable to those of the Comparable Companies. As such and having considered that the adjustment mechanisms will be applied to all Participants (including Connected Participants), we do not doubt on the fairness and reasonableness of the proposed adjustment mechanisms for number of Restricted Shares and the Grant Price.

(v) ***Black-out provisions***

With reference to the Board Letter, 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 Directors and senior management of the Company are subject to the black-out provisions of the Incentive Plan as follows: (i) 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; (ii) if he/she 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; (iii) his/her reduction of shareholdings 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.; and (iv) if, during the Validity Period of the Incentive Plan, there is any change to the requirements regarding the transfer of shares by him/her under the Company Law, the Securities Law, other relevant laws, regulations and regulatory documents and the Articles of Association, he/she 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.

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Having considered the above and that, save as (i) number of Restricted Shares to be granted; and (ii) the Directors and senior management (including the Connected Participants) subject to further lock-up upon third Unlocking Period and selling restrictions for the unlocked Restricted Shares, other terms of the Connected Grant (i.e. repurchase and cancellation of Restricted Shares, adjustments, etc.) are applicable to all participants (including the Connected Participants) under the Incentive Plan, we are of the view that the terms of the Connected Grant are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

Moreover, in view of, as advised by the Company, (i) the cost of First Grant of the Restricted Shares (share-based payment expenses) would be included in the management expenses which is one of the line items under the ordinary course of business of the Group; and (ii) the reasons for making the Connected Grant to motivate the Connected Participants to make contribution to the development of the Group, we are of the view that the Connected Grant is in the ordinary course of business of the Group.

3. Dilution effect on the shareholding interests of the existing shareholders of the Company

The Connected Grant involves 915,000 Restricted Shares, representing approximately 0.068% of the Total Share Capital as at the Latest Practicable Date. Accordingly, the dilution effect on the shareholding interests of the existing shareholders of Company will be immaterial.

4. Financial impact of the Incentive Plan to the Group

With reference to the Board Letter, as at the Announcement Date, the total cost of the First Grant of the Restricted Shares is estimated to be approximately RMB232.45 million. The details of which are set out in the section headed “Accounting Treatment Method and Expected Impact to the Operating Performance” in the Board Letter. Assuming the First Grant takes place in June 2020, the annual cost of the First Grant 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

As noted from the Board Letter, being one of the performance targets of the Company to unlock the Restricted Shares, the Company is required to achieve the growth rate of the net profit attributable to the Shareholders for 2020, 2021 and 2022 not less than 50%, 70% and 90% respectively, on the basis of the average of that for the three years ended 31 December 2016, 2017 and 2018. Based on the published audited consolidated financial statements of the Company for the three years ended 31 December 2016, 2017 and 2018, the average net profit attributable to the Shareholders for the aforesaid years is approximately RMB1,242.9 million (the “**Average Net Profit**”). From the above table, the maximum annual cost of the First Grant is approximately RMB83.94 million, which is approximately 3.97% of the targeted net profit attributable to the Shareholders of the Company in 2021 of approximately RMB2,112.9 million (assuming that such net profit in 2021 achieves the growth rate of 70% of the Average Net Profit). Accordingly, the financial impact of the Incentive Plan to the Group will be immaterial.

RECOMMENDATIONS

After taking into consideration of the principal factors and reasons as stated above, we are of the opinion that (i) the terms of the Connected Grant are on normal commercial terms, fair and reasonable; (ii) the Connected Grant is conducted in the ordinary and usual course of business of the Group and it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) approving the Connected Grant at the Annual General Meeting and the H Share Class Meeting. We also recommend the Independent Shareholders to vote in favour of the resolution(s) at the Annual General Meeting and the H Share Class Meeting in this regard.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Iris Leung
Deputy General Manager

Note: Ms. Iris Leung is a responsible officer of Guotai Junan Capital Limited, and is a person licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO who has over 15 years of experience in corporate finance.

STATEMENT

The Company and all its Directors guarantee that this Plan and its summary do not contain false information, misleading statement or material omission and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the Plan and its summary.

SPECIAL REMINDERS

1. This Plan has been formulated in accordance with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Administrative Measures on Share Incentives of Listed Companies (hereinafter referred to as the "Administrative Measures"), Trial Measures on Implementation of Share Incentives Plans by State-Owned Listed Companies (Domestic) (GZFFP [2006] No. 175, hereinafter referred to as the "Trial Measures"), Notice on Standardizing Issues Related to the Implementation of Share Incentive Systems of State-Owned Listed Companies (GZFFP [2008] No. 171, hereinafter referred to as the "Notice") and the Articles of Association of Tsingtao Brewery Company Limited (hereinafter referred to as "Tsingtao Brewery" or "the Company" or "Company"), as well as other related laws, regulations, rules and regulatory documents.
2. There is no occurrence of any of the following events which forbid implementation of share incentive as stipulated in Article VII of the Administrative Measures on part of the Company:
 - (1) issue of an auditors' report with adverse opinion or 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 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 distribute profit in accordance with laws and regulations, the Articles of Association and public undertakings within 36 months after being listed;
 - (4) prohibition from implementation of a share incentive plan by laws and regulations;
 - (5) any other circumstances as determined by the CSRC.

APPENDIX I RESTRICTED A SHARE INCENTIVE PLAN (PROPOSAL)

3. There is no occurrence of any of the following events which the Participants are not allowed to participate in the Program as stipulated in Article VIII of the Administrative Measures:
 - (1) subject to any identification as ineligible personnel by a stock exchange in the last 12 months;
 - (2) subject to any identification as ineligible personnel by the CSRC and its resident agencies in the last 12 months;
 - (3) Subject to administrative penalties or measures prohibiting the Participants from entering the market by the CSRC and its 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.

4. 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 the announcement of the Incentive Plan. 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 the announcement of the Incentive Plan (Proposal); 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 the announcement of the Incentive Plan (Proposal). 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.

APPENDIX I RESTRICTED A SHARE INCENTIVE PLAN (PROPOSAL)

5. The Grant Price of the Restricted Shares under the Plan shall be RMB21.73 per share. 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 incur any capitalization issue, bonus issue, share split or consolidation of shares, rights issue or dividends distribution, adjustment to the Grant Price of the Restricted Shares shall be made according to the Plan.
6. 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 capitalization issue, bonus issue, share split or consolidation of shares, or rights issue, adjustment to the number of Restricted Shares and the total number of target shares involved shall be made accordingly.
7. The Plan shall be valid for no more than six years, starting from the date of the completion of registration of the Restricted Shares under the First Grant.
8. The total number of Participants proposed at the First Grant under the Plan shall not exceed 660, including the Company's Directors (excluding non-executive Directors and independent Directors), senior management personnel, other core management personnel, middle management personnel and core personnel.
9. The Lock-up Period of the Restricted Shares to be 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 to be 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 to be granted under the Incentive Plan 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

APPENDIX I RESTRICTED A SHARE INCENTIVE PLAN (PROPOSAL)

10. The performance conditions for the unlocking of the Restricted Shares to be granted under the Plan are shown in the following table:

Unlocking Periods	Performance targets
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 | (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. |
| | (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. |
| | (3) The proportion of the Company’s income from principal business to operating income for 2022 shall not be less than 90%. |

11. The Company undertakes that any shareholder or actual controller, whether jointly or individually, holding more than 5% of the shares of the listed company, and their respective spouses, parents and children shall not participate in the Incentive Plan.
12. The Company undertakes not to provide loans or financial support in any other forms, including providing guarantee for loans, to Participants for acquiring relevant Restricted Shares under the Plan.
13. Participants shall undertake that if there are false statements or misleading statements or material omissions disclosed in the documents of the Company, which result in non-compliance with conditions of grant or exercise of rights, the Participants shall return to the Company all interests gained from this Incentive Plan.
14. The Plan must meet the following conditions in order to be implemented: It must obtain approval from the SASACQ and the Company’s general meeting and A Share and H Share class meetings.

APPENDIX I RESTRICTED A SHARE INCENTIVE PLAN (PROPOSAL)

15. The Restricted Shares shall be granted and the announcement and registration shall be completed within 60 days upon the approval of the Plan by the Company's general meeting and A Share and H Share class meetings. In the event that the Company fails to complete the aforementioned work within 60 days, the implementation of the Plan shall be terminated and the Restricted Shares yet to be granted shall be invalidated, unless otherwise specified in the Plan.

16. The implementation of the Plan will not result in equity distribution that fails to meet the listing requirements.

APPENDIX I RESTRICTED A SHARE INCENTIVE PLAN (PROPOSAL)

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APPENDIX I RESTRICTED A SHARE INCENTIVE PLAN (PROPOSAL)

CHAPTER I DEFINITIONS

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

TSINGTAO BREWERY, the Company, Company	means	TSINGTAO BREWERY COMPANY LIMITED
The Plan, Incentive Plan	means	Restricted A Share Incentive Plan of the TSINGTAO brewery company limited;
Assessment Management Measures	means	Assessment Management Measures for the Implementation of Restricted A Share Incentive Plan of Tsingtao Brewery Company Limited
Restricted Shares	means	The Company grants Participants a specific number of its A shares according to predetermined conditions with a specific lock-up period for such shares. Participants can only gain profits by selling the Restricted Shares after having met the unlocking conditions as set out in the Incentive Plan.
Participants	means	The Company's Directors, senior management personnel, other core management personnel, middle management personnel and core personnel who are granted the Restricted shares according to the Plan
Grant Date	means	The date on which the Company grants the Restricted Shares to the Participants, and the Grant Date must be a trading day
Grant Price	means	The price of each Restricted Share granted to the Participants
Validity Period	means	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 canceled

APPENDIX I RESTRICTED A SHARE INCENTIVE PLAN (PROPOSAL)

Lock-up Period	means	the period during which the Restricted Shares granted to the Participants under the Plan shall not be transferred, used as security, or for repayment of debts;
Unlocking Period	means	the period during which the Restricted Shares held by the Participants can be unlocked and transferred after all the Unlocking Conditions prescribed under the Plan are satisfied;
Unlocking Date	means	The date on which the Restricted Shares held by the Participants can be unlocked after all the Unlocking Conditions prescribed under the Plan are satisfied
Unlocking Condition(s)	means	the conditions prescribed under the Plan which have to be satisfied to unlock the Restricted Shares granted to the Participants;
Company Law	means	the Company Law of the PRC
Securities Law	means	the Securities Law of the PRC
Administrative Measures	means	the Administrative Measures on Share Incentives of Listed Companies
Notice	means	the Notice on Issues concerning Regulating the Implementation of the Share Incentive Plans by State-Owned Listed Companies (GZFFP [2008] No. 171)
Trial Measures	means	the Trial Measures on Implementation of Share Incentive Plans by State-Owned Listed Companies (Domestic) (GZFFP [2006] No. 175)
Articles of Association	means	Articles of Association of Tsingtao Brewery Company Limited

APPENDIX I RESTRICTED A SHARE INCENTIVE PLAN (PROPOSAL)

SASACQ	means	State-owned Assets Supervision & Administration Commission of the People's Government of Qingdao
Tsingtao Group	means	Tsingtao Brewery Group Company Limited
CSRC	means	China Securities Regulatory Commission
Stock Exchange	means	Shanghai Stock Exchange
Yuan	means	RMB Yuan

CHAPTER II 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.

CHAPTER III ADMINISTRATIVE ORGANS OF THE PLAN

1. As the top organ of authority of the Company, the general meeting is responsible for considering and approving the implementation, amendments to and termination of the Plan.
2. As the executive administrative organ of the Plan, the Board of Directors governs the Nomination and Remuneration Committee (hereinafter referred to as the "Remuneration Committee"), which is responsible for drawing up and revising the Plan, submitting it to the general meeting and A Share and H Share class meetings for consideration and approval and to competent authorities for consideration and approval, and processing related matters of the Plan within the scope of power granted by the general meeting.
3. As the supervision organ of the Plan, the Board of Supervisors expresses opinions on whether the Plan is beneficial to the sustainable development of the Company and whether there is any circumstance posing obvious harm to the Company and the interests of all shareholders, performs supervision over whether the implementation of the Plan complies with related laws, regulations and regulatory documents and business rules of stock exchanges, and reviews the list of Participants.
4. Independent Directors should express independent opinions on whether the Plan is beneficial to the sustainable development of the Company and whether there is any circumstance posing obvious harm to the Company and the interests of all shareholders, and solicit proxy voting rights from all shareholders.

CHAPTER IV BASIS FOR DETERMINING THE PARTICIPANTS AND SCOPE

I. Basis for determining the Participants

(1) Legal basis for determining the Participants

The Participants of the 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 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. Scope of the Participants

The total number of Participants proposed at the First Grant under the 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, middle management personnel 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 Plan.

All Participants of the 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 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 of A and H shares. 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. Review of Participants

1. Upon consideration and approval of the Plan by the Board, the Company shall announce the names and positions of Participants internally with an announcement period of at least 10 days.
2. The Board of Supervisors of the Company shall review the list of Participants, fully listen to announcement opinions, and disclose its notes taken during the review of the list of Participants as well as the announcement five days prior to the consideration of the Plan by the general meeting and A Share and H Share class meetings of the Company. The list of Participants after adjustment by the Board of Directors of the Company should also be reviewed by the Board of Supervisors.

**CHAPTER V SOURCE, TYPE, QUANTITY AND DISTRIBUTION OF
TARGET SHARES INVOLVED IN THE PLAN****I. Source and Type of Target Shares in the Restricted Share Incentive Plan**

The source of Target Shares in the Restricted Share Incentive Plan is from the issuance of the Company's A shares ordinary shares to Participants.

II. Number of Target Shares in the Restricted Share Incentive Plan

13,500,000 Restricted Shares is proposed to be granted to the Participants under the Plan, accounting for approximately 0.9993% of the Company's total share capital of 1,350,982,795 shares as at the date of the announcement of the Plan. 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 the announcement of the Incentive Plan (Proposal); 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 the announcement of the Incentive Plan (Proposal). The Reserved Grant accounts for approximately 2.22% of the total shares under the present grant.

III. Allocation Principle under the Restricted Share Incentive Plan

Subject to the results of the Company's internal announcement 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	Proportion
				in the total no. of shares to be granted	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%

No.	Name	Position	Amount to be granted (0'000 shares)	Proportion	Proportion
				in the total no. of shares to be granted	of Target Shares in the total share capital
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%
	Other core management personnel of the Company, middle management personnel and core personnel (no more than 652 persons)		1,228.00	90.96%	0.9090%
	Reserved Grant		30.00	2.22%	0.0222%
	Total		1,350.00	100.00%	0.9993%

Notes:

- The Participants of the 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 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.

CHAPTER VI VALIDITY PERIOD, GRANT DATE, LOCK-UP PERIODS, UNLOCKING ARRANGEMENTS AND BLACK-OUT PERIODS OF THE PLAN

I. Validity Period of the Plan

The 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 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 of A and H shares 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 Plan is considered and approved at the general meeting and the class meetings of A and H shares. Unless as specified in the Plan, if the Company fails to complete the above work within 60 days, the implementation of the 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. Lock-up Period 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.

IV. Unlocking Period of the Incentive Plan

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:

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

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.

V. 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 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.

CHAPTER VII GRANT PRICE OF RESTRICTED SHARES 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

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 proposed 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 proposed 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.

CHAPTER VIII CONDITIONS FOR GRANT AND UNLOCKING OF THE RESTRICTED SHARES UNDER THE PLAN

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:

**Unlocking
Periods**

Performance targets

- | | |
|------------------------|--|
| First Unlocking Period | (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. |
| | (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. |
| | (3) The proportion of the Company's income from principal business to operating income for 2020 shall not be less than 90%. |

Unlocking Periods	Performance targets
Second Unlocking Period	<ol style="list-style-type: none">(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.(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.(3) The proportion of the Company's income from principal business to operating income for 2021 shall not be less than 90%.
Third Unlocking Period	<ol style="list-style-type: none">(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.(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.(3) The proportion of the Company's income from principal business to operating income for 2022 shall not be less than 90%.

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. The performance appraisal of the Participants shall be conducted annually and the results of appraisal are determined based on the individual performance appraisal indicators. In principle, the performance appraisal results are categorized 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.

**CHAPTER IX METHOD AND PROCEDURES FOR ADJUSTMENT TO THE
RESTRICTED SHARES UNDER THE PLAN****I. Method of adjusting the number of the Restricted Shares**

During the period from the date of the announcement of the 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 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 Share 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 Plan.

V. In any event (except the foregoing circumstances) where it is necessary to adjust 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.

CHAPTER X ACCOUNTING TREATMENT OF RESTRICTED SHARES**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 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

Unit: RMB 0'000

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 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 Plan

Upon the termination of the 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.

CHAPTER XI PROCEDURES OF IMPLEMENTATION OF THE PLAN

- I.** The nomination and remuneration committee of the Company is responsible for preparing the proposal of the Plan. The nomination and remuneration committee has established sound procedural rules. The Board of the Company has approved the resolutions in relation to the 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 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 Plan will be submitted to the general meeting and class meetings of A and H Shares of the Company for consideration after obtaining the approval of SASACQ. When the Plan is voted at the general meeting and class meetings of A and H shares 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 Plan is considered and approved by SASACQ, the Company's general meeting as well as class meetings of A and H shares 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 Plan is considered and approved by SASACQ, the Company's general meeting as well as class meetings of A and H shares 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 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 of A and H shares. 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 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 Plan is considered and approved by SASACQ, the Company's general meeting as well as class meetings of A and H shares 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 A and H shares of the Company, failing to complete the aforementioned work within 60 days, the 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 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.

VI. Procedures for Amendments to and Termination of the Plan

1. Procedures for amendments to the Plan

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

2. Procedures for termination of the Plan

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

CHAPTER XII 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 Plan and shall appraise the performance of Participants based on the requirements of this Plan. If the Participants do not satisfy the Unlocking Conditions under the Plan, the Company will repurchase and cancel the Restricted Shares in accordance with the principles as prescribed by the 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 Share Incentive Plan.
3. The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Restricted Share 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 Share 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 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 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 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 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 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.

CHAPTER XIII HANDLING OF UNUSUAL CHANGES TO THE COMPANY AND PARTICIPANTS

I. Unusual changes to the Company

1. The Plan shall remain unchanged and the Company shall proceed to implement the 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 Plan shall be terminated, the Restricted Shares of the Participants which are granted under the 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 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 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;

 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 Plan due to incompetence with work position, disqualification in performance appraisal, negligence, violation of laws and regulations, etc.;
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. Resolution of Disputes between the Company and Participants

Any dispute between the Company and Participants shall be solved according to the Plan and the Agreement on the Granting of Restricted Share. For any dispute that is vague or not covered in the provisions, the two parties shall resolve it in accordance with national laws and in the principle of fairness and reasonableness through negotiation. If the dispute cannot be resolved through negotiation, it shall be submitted to People's Court whose jurisdiction covers the Company's registered address.

CHAPTER XIV PRINCIPLES FOR THE REPURCHASE AND CANCELLATION OF RESTRICTED SHARES

In the event that the Company repurchases the Restricted Shares according to the Plan, the repurchase price shall be the Grant Price, unless otherwise specified in the Plan.

(I) Method of adjusting the repurchase price

In the event that, after completion of the registration of the Restricted Shares granted to the Participants, the Company incurs any capitalization issue, bonus issue, share spilt, rights issue, consolidation of shares, dividend distribution, or any other activity that affects the Company's total share capital or share price, adjustment to the repurchase price of the Restricted Shares yet to be unlocked shall be made by the Company accordingly. The adjustment method is shown below:

1. Capitalisation issue, bonus issue and share split

$$P=P_0\div(1+n)$$

Where P represents the repurchase price of each Restricted Share after the adjustment; P_0 represents the Grant Price of each Restricted Share; n represents the ratio of increase of shares resulting from the issue of shares by capitalization issue, bonus issue and share split (i.e. the number of shares increased per share upon capitalization issue, stock dividend issue or share split).

2. Rights issue

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

Where: 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);

3. Consolidation of shares

$$P=P_0\div n$$

Where: P represents the repurchase price of each Restricted Share after the adjustment; P_0 represents the Grant Price of each Restricted Share; n represents the ratio of consolidation of shares (i.e 1 share of the Company in consolidated to n shares).

4. *Dividend distribution*

$$P = P_0 - V$$

Where: P_0 represents the repurchase price of each Restricted Share before the adjustment; V represents the dividend per share; P represents the repurchase price of each Restricted Share after the adjustment. After the adjustment of dividend distribution, P must be bigger than 1.

(II) Method of adjusting the repurchase quantity

In the event that, after completion of the registration of the Restricted Shares granted to the Participants, the Company conducts any capitalization issue, bonus issue, share split, rights issue, consolidation of shares, dividend distribution, or any other activity that affects the Company's total share capital or share price, adjustment to the repurchase quantity of the Restricted Shares yet to be unlocked shall be made by the Company accordingly.

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.

4. *Issue of additional shares*

In the event that the Company issues additional shares, the number of Restricted Shares will not be adjusted.

(III) Procedures for adjustment to repurchase

1. The Board of Directors should make a timely announcement on any adjustment to the repurchase price and quantity of the Restricted Shares after making such adjustment according to the aforementioned reasons.
2. Any adjustment to the repurchase price and quantity of the Restricted Shares due to other reasons shall be decided by the Board of Directors and considered and approved by the general meeting and A Share and H Share class meetings.

(IV) Procedures of Repurchase and Cancellation

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 of A and H shares 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 Plan.

- (V)** The Restricted Shares proposed to be repurchased and canceled shall not be further granted to other Participants.

CHAPTER XV APPENDIX

- I.** The Company shall not provide loans and financial support in any other form, including providing guarantee for loans, to Participants under the Plan.
- II.** In the event of any conflict between provisions in the Plan and related national laws, regulations, administrative rules or regulatory documents, the latter shall prevail. Any matter uncovered in the Plan shall be governed by related national laws, regulations, administrative rules or regulatory documents.
- III.** In the event that a Participant violates the Plan, the Articles of Association, related national laws, regulations, administrative rules or regulatory documents and sells the shares granted under the Plan, the returns shall be owned by the Company, which shall be executed by the Board.
- IV.** Tsingtao Brewery hereby reminds all investors that the Plan shall go through the following statutory procedures before being implemented:
1. review and approval of the Plan by the SASACQ;
 2. consideration and approval of the Plan by the general meeting and A Share and H Share class meetings.
- V.** The Board of Directors authorizes the Nomination and Remuneration Committee to formulate the Assessment Management Measures for the implementation of the Plan.
- VI.** The Board of Directors of the Company reserves the right to interpret the Plan.

Tsingtao Brewery Company Limited

Board of Directors

23 March 2020

APPENDIX II ASSESSMENT MANAGEMENT MEASURES FOR THE RESTRICTED A SHARE INCENTIVE PLAN

The Assessment Management Measures have been formulated in accordance with relevant national regulations and the actual situation of the Company to ensure the smooth operation of the Restricted A Share Incentive Plan (hereinafter referred to as the “**Incentive Plan**”) of Tsingtao Brewery Company Limited (hereinafter referred to as the “**Company**”), further improve the Company’s corporate governance structure, form a sound and balanced value distribution system, motivate the Company’s Directors (excluding non-executive Directors and independent Directors), senior management personnel, other core management personnel, middle management personnel and core personnel to perform their duties honestly and diligently, ensure stable improvement of the Company’s performance, and ensure the achievement of the Company’s development strategies and operating targets.

I. PURPOSE

Through appraisal of the Participants, the Assessment Management Measures aim to establish a long-term and effective reward and restraint mechanism for the Company, achieve balance between the Company’s short-term and long-term goals, fully arouse the Participant’s enthusiasm and creativity, enhance the Company’s cohesion, ensure the achievement of the Company’s development strategies and operating targets, promote sustainable and sound development of the Company, and ensure smooth implementation of the Company’s Incentive Plan.

II. PRINCIPLES

The appraisal must be conducted in accordance with the principles of fairness, openness and equality and strictly in accordance with the Assessment Management Measures and the performance of the appraisal subjects, so as to closely link the Incentive Plan with the performance and value contributed by the Participants, thus improving management performance and maximizing the interests of the Company and all Shareholders.

III. SCOPE

The Assessment Management Measures are applicable to all Participants under the Incentive Plan, including the Company’s Directors (excluding non-executive Directors and independent Directors), senior management personnel, other core management personnel, middle management personnel and core personnel.

**APPENDIX II ASSESSMENT MANAGEMENT MEASURES FOR
THE RESTRICTED A SHARE INCENTIVE PLAN**

IV. ORGANS

1. The Nomination and Remuneration Committee under the Company's Board is responsible for leading and organizing the appraisal of the Participants.
2. The Performance Management Group (including the Human Resources Management Department, Finance Management Department, Strategic Investment Management Department, etc.) is specifically responsible for collecting, organizing and compiling the appraisal data, forming appraisal results and submitting such results to the Nomination and Remuneration Committee for consideration and approval.

V. PERFORMANCE APPRAISAL INDICATORS AND CRITERIA

The unlockable portion of the Restricted Shares granted to a Participant for the year may be determined according to the appraisal results both at the corporate and the individual levels.

(I) Performance appraisal requirements at the corporate level

1. Performance appraisal conditions for granting:

The performance conditions for the Restricted Shares to be granted under the Incentive Plan are set out below:

- (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%.

**APPENDIX II ASSESSMENT MANAGEMENT MEASURES FOR
THE RESTRICTED A SHARE INCENTIVE PLAN**

2. Performance appraisal conditions for unlocking:

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.

The performance appraisal for unlocking the Restricted Shares to be granted under the Plan are set out as follows:

Unlocking Periods Performance targets

- | | |
|-------------------------|--|
| First Unlocking Period | (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. |
| | (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. |
| | (3) The proportion of the Company's income from principal business to operating income for 2020 shall not be less than 90%. |
| Second Unlocking Period | (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. |

- (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.
- (3) The proportion of the Company's income from principal business to operating income for 2021 shall not be less than 90%.
- Third Unlocking Period
- (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.
- (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.
- (3) The proportion of the Company's income from principal business to operating income for 2022 shall not be less than 90%.

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.

**APPENDIX II ASSESSMENT MANAGEMENT MEASURES FOR
THE RESTRICTED A SHARE INCENTIVE PLAN**

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.

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.

(II) The performance appraisal requirements of the individual

The performance appraisal of the Participants shall be conducted annually and the results of appraisal are determined based on the individual performance appraisal indicators. In principle, the performance appraisal results are categorized 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.

VI. APPRAISAL PERIODS AND FREQUENCY

1. Appraisal Periods

The appraisal for unlocking in the Incentive Plan will be conducted for the years 2020, 2021 and 2022.

2. Appraisal frequency

The appraisal for unlocking in the Incentive Plan will be conducted once a year during the appraisal years.

VII. APPRAISAL PROCEDURES

Under the guidance of the Board, the Company's Performance Management Group (including Human Resources Management Department, Finance Management Department, Strategic Investment Management Department, etc.) will be responsible for the specific appraisal work, documenting the appraisal results, forming preliminary opinions on the performance appraisal report based on the appraisal results, and report to the Nomination and Remuneration Committee of the Board for considering and approving the final appraisal results of the Participants.

VIII. MANAGEMENT OF APPRAISAL RESULTS

1. Feedback and appeal on appraisal results

The appraisal subjects have the right to learn about their appraisal results and the Nomination and Remuneration Committee of the Board shall notify them of their appraisal results within 10 business days upon completion of the appraisal.

If any appraisal target has any dispute over his/her appraisal results, he/she may communicate with the Company's Performance Management Group. If it cannot be properly resolved, the appraisal target may appeal to the Nomination and Remuneration Committee of the Board, which will review and determine the final appraisal results or grade within 10 business days.

2. Documenting appraisal results

Upon completion of the appraisal, the results shall be documented as confidential information.

IX. SUPPLEMENTARY PROVISIONS

1. The Assessment Management Measures shall be formulated, interpreted and amended by the Board of the Company.
2. The Assessment Management Measures shall be implemented upon obtaining approval at the Company's general meeting, A Share and H Share class meetings, and upon the Incentive Plan taking into effect.

TSINGTAO BREWERY COMPANY LIMITED

The Board

23 March 2020

**APPENDIX III PROPOSED GRANT OF MANDATE TO THE BOARD
TO DEAL WITH MATTERS PERTAINING TO
THE RESTRICTED A SHARE INCENTIVE PLAN**

Details for the resolution of the proposed grant of mandate to the Board to deal with matters pertaining the Incentive Plan at the Annual General Meeting and Class Meetings are as follows:

To ensure the smooth implementation of the Incentive Plan, it will be proposed at the Annual General Meeting and Class Meetings to grant mandate to the Board to deal with the matters pertaining to the implementation of the Incentive Plan.

(I) Proposed grant of mandate at the general meeting of the Company to the Board to be responsible for the following matters in relation to the implementation of the Incentive Plan:

1. To grant mandate to the Board to determine the Grant Date of the Incentive Plan;
2. To grant mandate to the Board to adjust the number of Restricted Shares and underlying shares or the repurchase amount of the Restricted Shares that have not been unlocked with the methods under the Incentive Plan in case of capitalization issue, bonus issue, share split or share consolidation, rights issue, and other matters of the Company that will affect the total share capital or the share price of the Company;
3. To grant mandate to the Board to adjust the Grant Price of the Restricted Shares or the repurchase price of the Restricted Shares that have not been unlocked with the methods under the Incentive Plan in case of capitalization issue, bonus issue, share split or share consolidation, rights issue, dividend distribution, and other matters of the Company that will affect the total share capital or the share price of the Company;
4. To grant mandate to the Board to grant Restricted Shares to the Participants when they meet conditions and deal with all matters required for the grant of Restricted Shares, including but not limited to signing the agreement on the granting of Restricted Shares with the Participants and relevant agreements, applying to the Stock Exchange for the granting of Restricted Shares and applying to the depository and clearing company for the registration and settlement matters and etc.;

**APPENDIX III PROPOSED GRANT OF MANDATE TO THE BOARD
 TO DEAL WITH MATTERS PERTAINING TO
 THE RESTRICTED A SHARE INCENTIVE PLAN**

5. To grant mandate to the Board to review and confirm the granting qualification, conditions of grant, number of shares to be granted, unlocking qualification, unlocking conditions and number of unlocking shares and permit the Board to delegate such right to the Nomination and Remuneration Committee;
 6. To grant mandate to the Board to determine whether the Restricted Shares held by the Participants can be granted and unlocked;
 7. To grant mandate to the Board to deal with all matters required for unlocking for the Participants, including but not limited to making application to the Stock Exchange for unlocking an making application to depository and clearing company for registration and settlement;
 8. To authorize the Board to proceed with the matters of the Incentive Plan including but not limited to amendments to the Articles of Association and registration of changes in the registered capital as involved in granting, unlocking, repurchase and cancellation, etc.;
 9. To grant mandate to the Board to implement other matters as required by the Incentive Plan, including but not limited to the amendments, termination, management and adjustment of the Incentive Plan and related matters, except the rights to be exclusively exercised by the general meeting as explicitly required under the relevant documents.
- (II) Proposed grant of mandate at the general meeting of the Company to the Board to complete procedures with relevant governments departments and authorities in relation to the Incentive Plan including review, registration, filing, approval and consent and etc.; to sign, execute, amend and complete documents submitted to relevant governments departments, authorities, organizations, and individuals; and to carry out all other actions necessary, appropriate, or expedient in relation to the Incentive Plan, except the rights to be exclusively exercised by the general meeting as explicitly required under the relevant documents.
- (III) Proposed approval of the term of the grant of mandate to the Board to be consistent with the Validity Period of the Incentive Plan at the general meeting of the Company.

**APPENDIX III PROPOSED GRANT OF MANDATE TO THE BOARD
 TO DEAL WITH MATTERS PERTAINING TO
 THE RESTRICTED A SHARE INCENTIVE PLAN**

Regarding the authorization and related matters mentioned above, except for matters that need to be passed by the resolutions of the Board as clearly stipulated by laws, administrative regulations, regulations of the CRSC, normative documents, this Incentive Plan or the Articles of Association, other matters may be exercised directly by the chairman of the Company or an appropriate person authorized by him on behalf of the Board.

TSINGTAO BREWERY COMPANY LIMITED

The Board

21 April 2020

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTEREST OF DIRECTORS, SUPERVISORS, AND CHIEF EXECUTIVES OF THE COMPANY

As at the Latest Practicable Date, the interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO, or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“**Model Code**”), to be notified to the Company and the Stock Exchange, of the Directors, Supervisors and chief executives of the Company and the connected persons of such individuals are as follows:

Name of Director	Nature of interest	Class of Shares	Number of Shares held (<i>Note 1</i>)	Percentage in the respective class of share capital (%)	Percentage of total share capital (%)
Mr. HUANG Ke Xing	Beneficial owner/Interest held by spouse (<i>Note 2</i>)	A Shares	26,502 (<i>Note 2</i>)	0.00381	0.000196
Mr. YU Zeng Biao	Beneficial owner	A Shares	20,000	0.00287	0.00148
Mr. HUANG Zu Jiang	Beneficial owner	A Shares	12,900	0.00185	0.00096

Notes:

- (1) All of the interests in the Shares are long position.
- (2) Mr. HUANG Ke Xing is being considered as holding 26,502 A Shares of the Company (1,300 shares were directly held by Mr. HUANG Ke Xing, and 25,202 shares were directly held by Mr. HUANG Ke Xing’s spouse), accounting for approximately 0.000196% of the Company’s total share capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company and their connected persons had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Model Code, to be notified to the Company and the Stock Exchange.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Director or supervisor of the Company had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation)).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) had any interest in other business which competes or is likely to compete with the business of the Group directly or indirectly.

5. INTEREST IN THE GROUP'S ASSETS OR SIGNIFICANT CONTRACTS

As at the Latest Practicable Date, none of the Directors, had any direct or indirect interest in any assets which had been since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

- a) The following is the qualification of the expert who has given opinion or advice on the information contained in this circular:

Name	Qualification
Guotai Junan Capital Limited	a licensed corporation authorised to conduct Type 6 (advising on corporate finance) regulated activities as defined under the SFO

- b) As at the Latest Practicable Date, Guotai Junan has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear in this circular.
- c) As at the Latest Practicable Date, Guotai Junan did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- d) As at the Latest Practicable Date, Guotai Junan did not have any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours from 9:30 a.m. to 5:30 p.m. (except Saturday, Sunday and public holiday) at the office of Woo Kwan Lee & Lo, 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, from the date of this circular for 14 days:

- (i) the Articles of Association;
- (ii) the Incentive Plan (Proposal), the full text of which is set out on pages 74 to 120 of this circular;
- (iii) the letter from the Independent Board Committee, the full text of which is set out on pages 50 to 51 of this circular;
- (iv) the letter from the Independent Financial Advisor, the full text of which is set out on pages 52 to 73 of this circular;
- (v) the letter of consent referred to in the paragraph headed “Qualification and Consent of Expert” in this appendix; and
- (vi) this circular.