

Research on the Implementation Effect of Equity Incentive in Liquor-making Industry: Taking Shanxi Fen Wine as an Example

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Abstract: As an important tool to effectively alleviate agency problems and reduce business risks, equity incentive has been widely used in the liquor industry. This paper takes the equity incentive of Shanxi Fen wine as the research object, adopts the event research method to analyze the stock price effect after the implementation of the equity incentive, and analyzes the long-term financial performance by picking out the financial indicators such as growth ability, profitability, debt paying ability and operating ability, so as to spy out the implementation effect of the equity incentive of Shanxi Fen wine. The research shows that the market is generally satisfied with the expectation of Shanxi Fen wine's equity incentive scheme and the company's profitability, operation and development capabilities have been significantly improved after the implementation of equity incentive. The analysis found that Shanxi Fen wine equity incentive scheme still has some problems, such as less incentive, single performance evaluation index, shorter incentive period, etc. Based on this, specific measures are put forward, such as increasing the share of equity incentives, increasing incentives, enriching the index assessment system, and prolonging the cycle of equity incentives, in order to further improve the implementation effect of equity incentives.

Keywords: Equity incentives, Effect of implementation, Shanxi Fen wine, Event research method

1. Introduction

The outline of China's "14th Five-Year Plan" for national economic and social development points out that it is necessary to perfect the market-oriented salary distribution mechanism for enterprises, and to promote more state-owned enterprises to adopt long-term incentive measures by flexibly implementing diversified medium-and long-term incentive mechanisms, so as to further release the growth momentum of state-owned enterprises^[1]. Practice shows that the equity incentive mechanism can effectively realize the deep binding of the interests of the employees and the company, stimulate the enthusiasm of the key employees, effectively alleviate the agency problem and reduce the operating risk of the company, and has become a "sharp weapon" for many companies to activate the enterprise. Without exception, the equity incentive plan has also been actively promoted and applied in the liquor industry. By the end of 2022, 10 liquor listed companies of liquor listed companies had passed the equity incentive plan, including Old-white-dry, WULIANGYE, ETC.with an increase rate of 230% as compared with 5 years ago. It can be seen from this that "equity incentive" has become the standard of liquor enterprises in the liquor industry and has achieved remarkable results, among which Shanxi Fen wine is a typical one. Shanxi Fen wine is a representative company in the equity incentive of liquor listed companies. It has completed a complete equity incentive and achieved certain results. After the implementation of the equity incentive, Shanxi Fen wine achieved a share price of more than 100 yuan for the first time, becoming the fifth 100 yuan share in liquor industry after the shares of KWEICHOW MOUTAI, GGUJING Distillery, WULIANGYE and Yang he Brewery. Based on this, this paper chooses Shanxi Fen wine as a case to study the company's equity incentive scheme and the implementation effect of equity incentive, to analyze the main problems and improvement methods of the company's equity incentive scheme, and to provide some inspiration for the equity incentive of liquor listed companies.

2. The Background of Equity Incentive System of Liquor Listed Companies

2.1. Introduction to the Background of Equity Incentive Policy System

The equity incentive system has been continuously developed and improved in China. In 2006, China issued the Administrative Measures for Equity Incentive of Listed Companies (for Trial Implementation) for the first time, and it was revised twice in 2016 and 2018. The Administrative Measures for Equity Incentive of Listed Companies were formed and issued, which further promoted the listed companies to establish and improve the incentive and restraint mechanisms, and made the practice and application of equity incentive become evidence-based. In terms of equity incentives for state-owned and state-owned enterprises, the SASAC has also made strict regulations, successively issuing the "Trial Measures for Implementation of Equity Incentives for State-controlled Listed Companies (Domestic)" and the "Trial Measures for Implementation of Equity Incentives for State-controlled Listed Companies (Overseas)", making institutional arrangements for standardizing the implementation of equity incentives for central enterprises from the following four aspects: scientific formulation of equity incentive plans, improvement of equity incentive performance assessment, support for science and technology innovation board Company to implement equity incentives, and improvement of equity incentive management system. At present, China's equity incentive system has made provisions in tax, finance, personnel and other aspects. It has formed one administrative regulation, 27 departmental regulations and 22 industry regulations, basically presenting a broad, progressive and strict regulatory mechanism. It has gradually formed an equity incentive system for listed companies that is determined by the company itself and has effective market constraints.^[2]

2.2. Overall description of equity incentives for listed companies

Up to 2022, 10 companies in the liquor industry have implemented equity incentives, among which 6 liquor companies such as Shanxi Fen wine and Old-white-dry Liquor chose restricted stocks or stock options for equity incentives, and 4 liquor companies such as WULIANGYE and JINHUI Liquor chose ESOP for incentives. The analysis found that LUZHOU LAOJIAO CO., LTD is the earliest and the most frequently practiced equity incentive in liquor industry, which was implemented successively in 2006, 2010 and 2021 respectively. Since then, SWELLFUN, Shanxi Fen wine and Old-white-dry have successively implemented the equity incentive plan.

2.2.1. The liquor industry equity incentive grant quantity analysis

The Measures for the Administration of Equity Incentives for Listed Companies stipulates that the scale of equity incentives granted to the liquor industry shall not exceed 10% of its own share capital. Except for WULIANGYE and JINHUI Liquor, the number of grants granted to other liquor enterprises is between 0.05% and 3%. On the whole, the scale of equity incentives granted to the liquor industry as a whole is not large, the incentive intensity is low, and there is much room for improvement.

2.2.2. The liquor industry equity incentive period analysis

The "Measures for the Administration of Equity Incentives for Listed Companies" in our country stipulates that the validity period of the equity incentive plan shall not exceed 10 years from the date of initial grant of rights and interests. Except for the first draft of incentives in LIU ZHOU LAO JIAO CO., LTD, the validity period of other incentives is between 36 and 72 months. Generally speaking, the longer the implementation period of the equity incentive is, the more benefits the employees can obtain. The enterprise can also effectively restrain the short-term behavior of the employees. Too short an incentive period is not conducive to the incentive effect. The overall validity period of YANGH HE Brewery shares is 36 months, which also includes a sale restriction period and an unlocking period. There is no lack of haste.

2.2.3. The liquor industry equity incentive analysis

Judging from the frequency of equity incentive, the overall incentive strength of the liquor industry is relatively low at present, except for three times in LUZHOU LAOJIAO CO., LTD and two times in willing liquor industry. Other companies such as Shanxi Fen wine and WULIANGYE have only implemented equity incentive once. The overall incentive strength needs to be improved.

2.2.4. Liquor industry incentive analysis

At present, the incentive forms of liquor industry mainly include restricted stocks, stock options and employee stock ownership plan .The restricted stock model accounts for 46% of the total, mainly

including willing to give up wine industry, Shanxi Fen wine, Old-white-dry, etc. The stock option model accounted for 18%, mainly including LUZHOU LAOJIAO CO., LTD. The implementation of the ESOP accounted for 36%, mainly for Swell fun, WULIANGYE Group and JIN HUI Liquor. It can be found that the most frequently used incentive model in the liquor industry today is restricted stock.

Judging from the implementation of equity incentive scheme in liquor industry, there are obvious differences, and the expected effect of each company is also different, among which Shanxi Fen wine is a typical one. Shanxi Fen wine has dropped straight to the 6th place in the liquor industry from the "No.1 Fen wine" decades ago because it did not follow the development direction of the times. The practice shows that the revenue of Shanxi Fen wine in 2017 was 6.037 billion, which is far from the revenue of 10 billion. In order to implement the goal of the first camp of liquor, Shanxi Fen wine launched the equity incentive plan at the end of 2018. After 2019, the performance of Shanxi Fen wine grew rapidly, the business outside the province continued to grow rapidly, and the gross profit margin and net interest rate continued to increase. Shanxi Fen wine relied on equity incentives and other measures to successfully obtain the capital to compete with the shares of LUZHOU LAOJIAO CO., LTD and Yang he Brewery for the position of "exploration flower" of liquor. At present, Shanxi Fen wine ranks fourth in the market value of liquor industry and has made a new breakthrough in competitiveness.

3. Shanxi Fen wine Equity Incentive Scheme and Incentive Results

3.1. Shanxi Fen wine Company Profile

Shanxi Fen wine was established in 1988 and is mainly engaged in the research, development and transfer of biotechnologies for the production and sale of liquor, beverages and alcoholic beverages. It was listed on the Shanghai Stock Exchange in 1993. The top ten shareholders of Shanxi Fen wine are almost all companies and investment institutions, but the ultimate controlling party of Shanxi Fen wine has always been the State-owned Assets Supervision and Administration Commission of Shanxi Province. At present, the equity incentive of state-owned enterprises has always been under high-standard supervision. In order to avoid the dilution of state-owned equity, the SASAC requires that the maximum equity incentive compensation for senior executives of state-owned enterprises should not exceed 30% of the total salary level. In addition, the implementation of the salary management system in state-owned enterprises has resulted in the salaries of state-owned enterprises being significantly lower than those of non-state-owned enterprises of the same size, which undoubtedly further reduces the staff's enthusiasm and creativity. How to design a reasonable equity incentive scheme to stimulate the creativity and enthusiasm of the incentive target to the maximum has become one of the difficult problems faced by Shanxi Fen wine.

3.2. Analysis of the Results of Equity Incentive

Shanxi Fen wine was granted on 28 March 2019, with the first restricted period expiring on 10 April 2021, the second restricted period expiring on 16 April 2022 and the third restricted period expiring on 18 February 2023. The assessment of the corresponding indicators of Shanxi Fen wine is shown in the following table:

Table 1: Appraisal of Shanxi Fen wine Equity Incentive Plan

Project	Return on equity (%)		Revenue growth rate (%)		The proportion of main business (%)	
	target	actual	target	actual	target	actual
2019	≥22	27.89	≥90	96.77	≥90	99.94
2020	≥22	36.58	≥120	131.72	≥90	98.98
2021	≥22	41.46	≥150	230.78	≥90	99.19

As can be seen from Table 1, the implementation of Shanxi Fen wine Equity Incentive Plan was a complete success, with the actual completion far exceeding the planned targets, which significantly improved the profitability and development capacity of Shanxi Fen wine, and thus the 2018 Restricted Stock Incentive Plan of Shanxi Fen wine was a complete success.

4. Shanxi Fen wine equity incentive implementation effect analysis

4.1. Short-term market reaction

Event research method is a powerful tool, which can help us to assess the impact of a time on the market value of the enterprise, and can use this method to infer whether there is "abnormal" stock price effect related to unexpected events. The so-called "anomaly" refers to the difference between the actual stock returns and the expected stock returns within a certain window period, in which the actual stock returns are the observed stocks within the window period, and the expected stock returns are estimated through a certain asset pricing model assuming that no change in time occurs. According to the above data results, the effect of this event can be inferred.

4.1.1. Event definition

Based on the experience of Kai Ming Zhang and other aforementioned scholars, the event announcement date is generally regarded as the event date^[3], so the announcement date of the draft equity incentive disclosure plan of Shanxi Fen wine is regarded as the event date, the specific date is January 3, 2019, the event window is determined to be [-15,15] (i.e. December 11, 2018 to January 24, 2019) 15 trading days before and after the event, and the estimation window is determined to be [-136, -16] (i.e. June 15, 2018 to December 10, 2020) 120 trading days before the event window.

4.1.2. Estimate of expected yield

The yield on individual stocks can be measured by Equation (1):

$$R_{I,T} = (P_{i,t} - P_{i,t-1})/P_{i,t} \tag{1}$$

Among them, $R_{i,t}$ is the yield of individual stock I in the T period, and $P_{i,t}, P_{i,t-1}$ are the stock prices of individual stocks in the t and t-1 periods. The expected rate of return takes the announcement date of the listed company's equity incentive as the event date and -136 to -16 as the estimation period, and constructs the regression equation:

$$R_{i,t} = \beta_i R_{m,t} + \alpha_i + \varepsilon_{i,t} \tag{2}$$

Where $R_{m,t}$ represent the yield of Shenzhen Chengdu during the t period.

After analysis, the regression result is shown in Figure 1, and the regression equation is $R_{i,t} = 1.2739R_{m,t} - 0.0012$

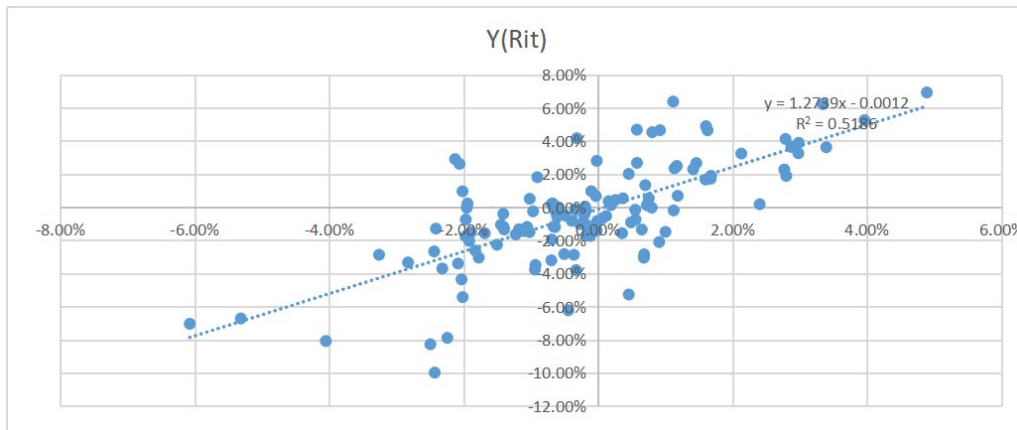


Figure 1: Function chart of the market model of Shanxi Fen wine during the estimation period

Using the least square method to estimate the parameters of the market model, the abnormal return rate is:

$$AR_{i,t} = R_{i,t} - (a_i + \beta_i R_{m,t}) \quad t(-15, +15) \tag{3}$$

4.1.3. Cumulative abnormal return accumulation

In order to better depict the impact of the event on the stock returns, when studying the abnormal returns of the stock during the event, it is necessary to calculate the cumulative abnormal returns of the stock based on time accumulation. For a single stock I, the cumulative abnormal return rate of stock I in the T period is:

$$CAR_{i,t} = \sum_{k=-15}^t AR_{i,t} \quad (4)$$

Based on the CSMAR data, the stock return rate of Shanxi Fen wine in T month is sorted out. Combined with the calculated expected stock return rate, AR and CAR are shown in *Figure 2*.

Combined with *Figure 2*, it can be found that the fluctuation in excess earnings of Shanxi Fen wine is relatively obvious in the 15 trading days before January 3, 2019. Starting from the first 8 trading days after the announcement date of the listing equity incentive draft, the average abnormal return rate of the sample stock changes from negative to positive, and the accumulated abnormal positive earnings gradually increase. This indicates that the market has reacted ahead of time to the announcement of the equity incentive. The reason is probably due to the imperfect information disclosure supervision system in the domestic securities market, which causes some investors to learn the inside information of the equity incentive in advance, thus building positions ahead of time and lifting the stock price.

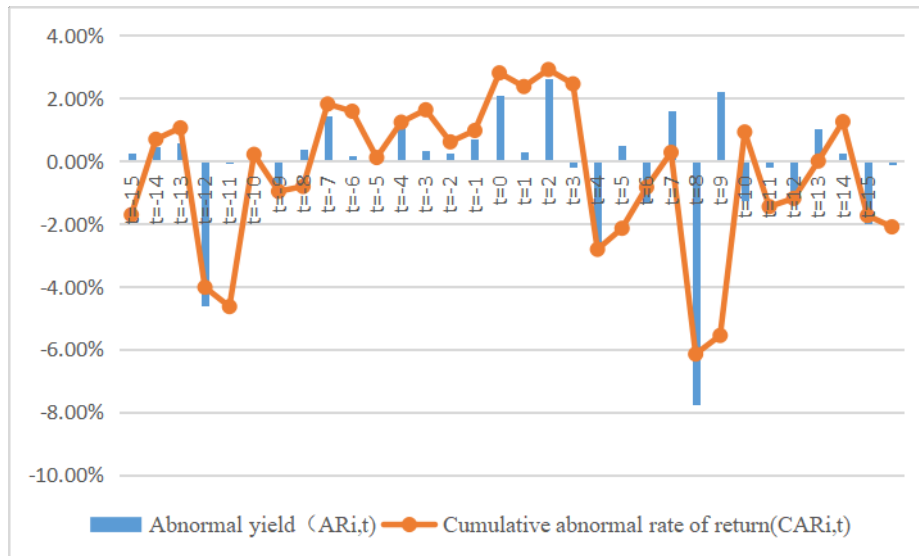


Figure 2: Trend of AR and CAR stimulated by Shanxi Fen wine equity

Before the event, it can be clearly observed that AR first turned from negative to positive, and then turned from positive to negative, showing an inverted U-shaped fluctuation. The CAR curve also climbed upward around the event date, and then turned again. The whole process was completed within [-7, 2] about 9 days, with positive excess return lasting for 9 days. On the announcement date of February 3, 2019, the abnormal return rate of the sample stock gradually increased, and the cumulative abnormal return rate reached a peak on the announcement date of the draft equity incentive plan, indicating that the market generally valued the equity incentive plan, and the stock price rose, stretching the abnormal return rate of the stock price.

However, in the medium and long term, the positive effect of the announcement of the equity incentive plan on the stock price is not sustainable. The negative excess return rate can be seen three days after the announcement of the draft. Therefore, enterprises should rely on the equity incentive to give full play to the incentive effect on the operators and further promote the improvement of corporate performance, which is beneficial to the long-term improvement of the stock return rate.

4.2. Long-term implementation effect analysis

Since Shanxi Fen wine issued the summary announcement of the draft equity incentive on December 14, 2018, it selects the financial data of nearly five years from 2017, the year in which the equity incentive was not implemented, to 2021, the year in which the equity incentive was implemented, and selects relevant indicators from growth ability, profitability, solvency and operating ability for long-term financial performance analysis.

4.2.1. Capacity development analysis

Operating income growth and net profit growth rate are important indicators to measure the development ability of the enterprise. We use the operating income growth rate and net profit growth rate indicators to measure the change of Shanxi Fen wine's growth ability from the implementation of equity incentive to the completion stage.

(1)The growth rate of operating income

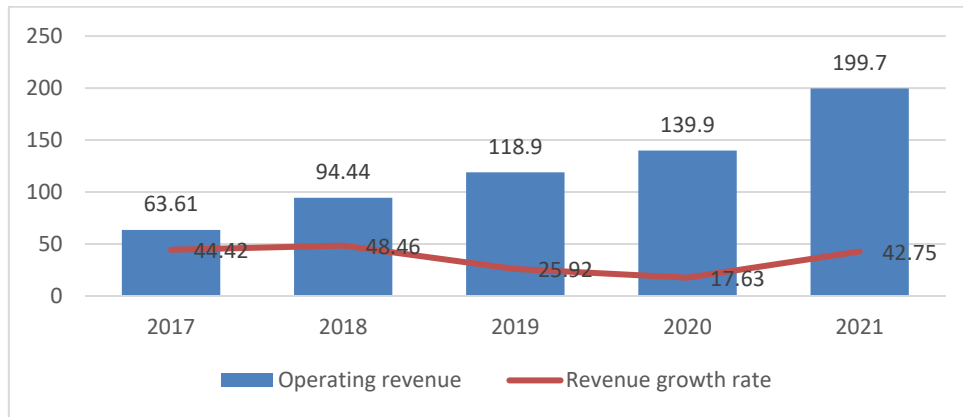


Figure 3: Growth Rate of Operating Income of Shanxi Fen wine in Recent 5 Years

As shown in Figure 3, the operating income of Shanxi Fen wine has shown an orderly growth in the past five years, but the year-on-year growth rate has decreased. Compared with 2020, the operating income of 2021 increased significantly. As shown in Table 1, the performance condition for Shanxi Fen wine to achieve one of the equity incentives is that the operating income of 2019-2021 increased by more than 70%, 90% and 150% as compared with that of 2017. Combining with the discounted growth rate chart of operating income, the growth rate of operating income decreased year by year from 2018 to 2020 while meeting the basic premise. It is very difficult not to make people feel that Shanxi Fen wine is suspected of operating the growth rate of operating income to achieve the equity incentive performance conditions. Regardless of this level, the operating income of Shanxi Fen wine did show a year-on-year growth trend. Even under the influence of COVID-19, the operating income of 2020 still showed a steady growth.

4.2.2. Profitability Analysis

We use the return on net assets and profit margin to examine the profit performance of Shanxi Fen wine after implementing the equity incentive scheme.

(1) Return on net assets

As can be seen from Figure 4, the return on net assets of Shanxi Fen wine increased year by year, but after the implementation of equity incentive, the ROE growth rate of Shanxi Fen wine increased significantly, with the growth rate approaching 100% in 2021 as compared with 2017. Compared with WULIANGYE, a leading enterprise, it was found that the return on net assets of the two companies was similar in 2017, and the gap between them gradually widened from 2019, especially in 2020, when the gap stretched from 0.13% to nearly 10%, and in 2021, the gap between the two was even closer to 15%.

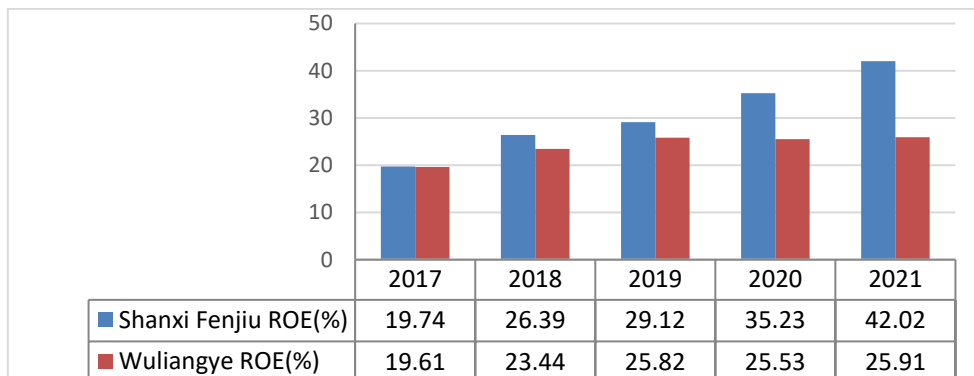


Figure 4: Comparison of ROE between Shanxi Fen wine and WULIANGYE in Recent 5 Years

Referring to the performance appraisal conditions of Shanxi Fen wine equity incentive, it can be seen that the exercise conditions of Shanxi Fen wine require an annual return on net assets of not less than 22% from 2019, and not less than the 75th percentile level of comparable enterprises in the same industry. The strict appraisal conditions have enhanced the attention of Shanxi Fen wine in this respect.

4.2.3. Solvency analysis

Solvency generally can be divided into short-term solvency and long-term solvency. The asset-liability ratio is used to examine the changes in Shanxi Fen wine's long-term solvency after the implementation of equity incentives, and the cash ratio is used to examine the changes in short-term solvency after the implementation of equity incentives.

(1) Asset-liability ratio

As can be seen from Figure 5, the asset-liability ratio of Shanxi Fen wine is generally high, which is at a high level as compared with WULIANGYE. The liquor industry belongs to a special industry with abundant cash flows and generally low asset-liability ratio. However, compared with WULIANGYE, the debt-paying ability of Shanxi Fen wine needs to be strengthened. Since the draft was released at the end of 2018 and implemented in 2019, after a two-year lock-in period, the first phase of unlocking will be ushered in in 2021. Compared with 2018, the asset-liability ratio of Shanxi Fen wine has a downward trend.

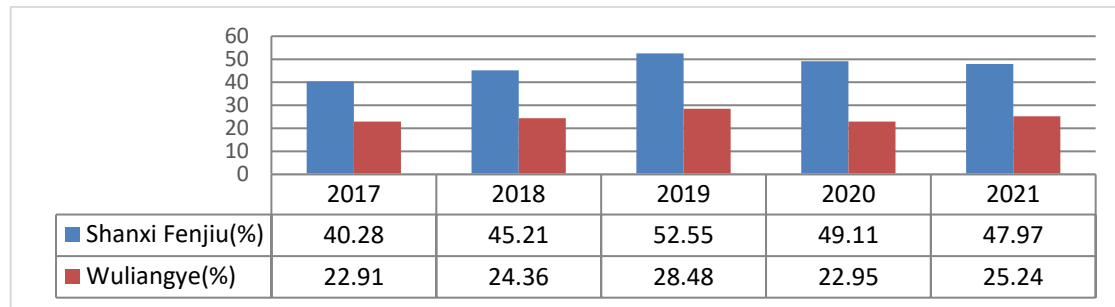


Figure 5: comparison of asset-liability ratio between Shanxi Fen wine and WULIANGYE in recent 5 years

(2) Cash ratio

Cash ratio is an index that reflects the short-term solvency of an enterprise. It measures the liquidity of an enterprise. The higher the cash ratio, the stronger the liquidity of an enterprise and the stronger its short-term solvency. As can be seen from Figure 6, the cash ratio of Shanxi Fen wine has shown a "V" shape in the past five years, with a lowest value in 2018. At the end of 2018 and the beginning of 2019, Shanxi Fen wine has issued an equity incentive plan, which was effective at the beginning of 2019 and has continued to grow steadily from 2020 to 2021. This shows that the short-term solvency of Shanxi Fen wine has also been enhanced after the implementation of the equity incentive. To sum up, after the implementation of equity incentives, Shanxi Fen wine's short-term solvency and long-term solvency have been enhanced.

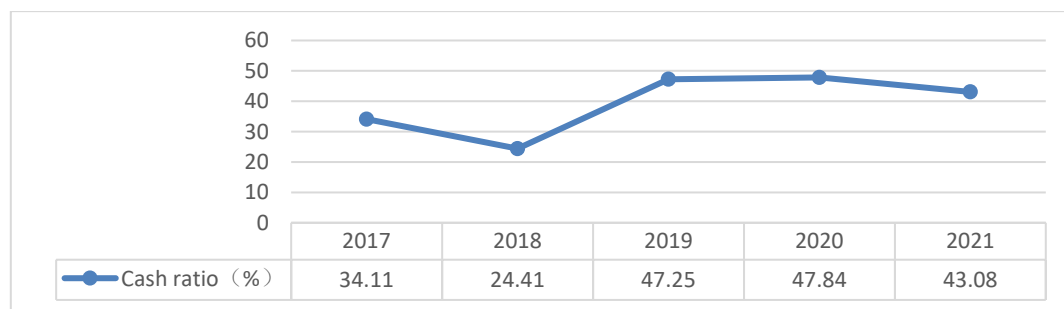


Figure 6: Shanxi Fen wine Cash Ratio in Recent 5 Years

4.2.4. Operational capability analysis

The liquor industry's characteristics determine that its overall capital is relatively adequate, and the operation management level can be reflected from the upstream and downstream management level. For example, prepayment represents the capital occupied by upstream enterprises, bills receivable and average collection period reflect the capital occupied by downstream enterprises, and the less capital occupied by upstream and downstream enterprises is more favorable to the enterprises. We selected prepayment turnover days, bills receivable and average collection period to observe whether the upstream and downstream management level of Shanxi Fen wine has significantly improved after the implementation of equity incentive.

(1) Bills Receivable and average collection period

The lower the bills receivable and average collection period, the higher the operating level, and the better the fund management efficiency. As can be seen from Figure 7, the working capital management level of Shanxi Fen wine has dropped sharply and the downstream capital management level has been significantly strengthened since the implementation of the equity incentive. Compared with WULIANGYE which did not implement the equity incentive in the same period, the downstream capital management has obvious advantages. It shows that the implementation of equity incentive is beneficial to significantly improve the operating level of the company.

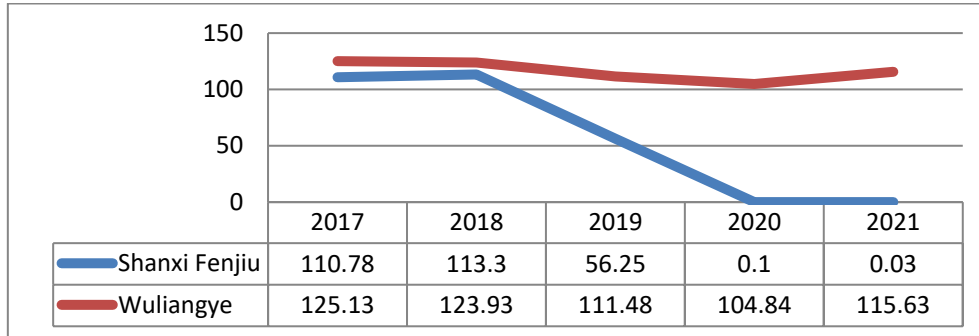


Figure 7: Comparison between Shanxi Fen wine and WULIANGYE Bills Receivable and average collection period in Recent 5 Years

(2) Days of prepayment turnover

The turnover days of prepayments are the days required for an enterprise to receive goods in advance. The more turnover days, the more the upstream enterprise takes up the reaction funds, and the corresponding enterprise expenses will also increase. The turnover days of prepaid accounts of Shanxi Fen wine have shown a straight-line decline in the past five years. After the implementation of equity incentive, Shanxi Fen wine still maintained a downward trend and its operating capacity showed a good trend.

Based on the five-year trend of turnover days of bills receivable, average collection period and prepayments, it can be found that after the implementation of equity incentive, Shanxi Fen wine maintained a good trend after 2019, regardless of the upstream operation capacity or the downstream operation capacity. The implementation of equity incentive significantly improved the operation level of Shanxi Fen wine.

5. Shanxi Fen wine Equity Incentive Problems and Suggestions for Improvement

5.1. The main problems

5.1.1. The equity incentive is relatively small

The number of shares granted by Shanxi Fen wine's restricted stock incentive plan is relatively low, accounting for only 0.75% of the total share capital of the Company. Compared with the disclosed equity incentive plan for the liquor industry, the number of shares granted is the third lowest in the industry. The number of shares granted per capita by the senior management is 0.006%, the number granted per capita by the middle management is 0.00116%, and the proportion of shares granted by the middle management is low, which makes it less attractive to the senior management. In addition, the plan stipulates that the expected earnings level of individual equity incentives for senior management personnel should be controlled within 30% of their total remuneration (including expected equity earnings) during the plan's effective period, further limiting the level of incentives that management can enjoy through the ESOP and affecting the effectiveness of incentives.

5.1.2. The performance appraisal index is single, which is prone to manipulation risk

The performance condition indicators for Shanxi Fen wine to grant restricted shares are financial indicators such as the rate of return on net assets, the growth rate of operating income and the proportion of the main business, and non-financial indicators are not involved. Financial indicators can't fully measure the development of the company and there are many estimates and judgments in financial indicators. Enterprises can adjust earnings through different accounting policies, and all three indicators

of Shanxi Fen wine involve operating income. From the foregoing analysis, it can be seen that the growth rate of Shanxi Fen wine's operating income decreased year by year on the premise of meeting the basic premise, and suddenly increased in the unlocking year. It is very difficult not to make people feel that Shanxi Fen wine has the suspicion of adjusting its operating income through earnings management to achieve the equity incentive performance conditions.

5.1.3. The incentive setting period is short and it is difficult to achieve long-term implementation effect

According to the existing regulations, the minimum period for the implementation of the state-owned enterprise equity incentive plan is five years. At present, most state-owned enterprises also choose a five-year plan period. Shanxi Fen wine also takes 24 months after the grant of the shares as the restricted period, and 36 months after the expiry of the restricted period as the period for the lifting of the restricted period, which is also five years. However, in actual implementation, Shanxi Fen wine can be fully unlocked within four years. Equity incentive should involve long-term incentive effect, so as to avoid the management from manipulating the profits for the short-term unlocking of the benefits. The shorter incentive period may make the enterprise unable to obtain the due returns of benefits and weaken the incentive effect.

5.2. Suggestions for improvement of equity incentives

5.2.1. Increase the share of equity incentives, increase incentives

The first-phase equity incentive plan of Shanxi Fen wine involved a small share, which was only 0.75% of the share capital, but involved 397 incentive targets, 0.0018% per capita, far short of the policy limit. The effect of the incentive plan will be affected if the incentive intensity is small. Shanxi Fen wine may grant more equity to the incentive target under the premise that the relevant policies of equity incentive for state-owned enterprises permit (the total amount shall not exceed 10% of the total equity and the individual incentive target shall not exceed 1% of the total equity), so as to stimulate the loyalty and potential of the incentive target, mobilize the enthusiasm of all parties and release the vitality of the company.

5.2.2. Enrich the performance indicator assessment system

Pure financial indicators are difficult to reflect the real situation of the enterprise and are easy to be manipulated by earnings management. Therefore, the following equity incentive plan of Shanxi Fen wine should enrich the indicator assessment system and appropriately add non-financial indicators assessment, such as liquor market share, number of new distributors, staff turnover rate, etc., from the pure profitability financial indicator system assessment, covering the assessment of the enterprise's multi-dimensional development ability, fully activating all aspects of vitality and further opening up the performance space. In addition, the exercise conditions should be set with full consideration of the existing scale and external risks of the enterprise, and be able to adjust the incentive plan in a timely manner, give full play to the incentive effect, and grasp the opportunity more accurately or cope with the change risks.

5.2.3. Set up a long-term incentive plan and extend the period of the equity incentive plan

Shanxi Fen wine Equity Incentive Plan is nominally 6 years, but in fact it can be fully unlocked in 4 years, which is far from meeting the long-term incentive target. The next equity incentive plan of Shanxi Fen wine should appropriately extend the incentive cycle^[4]. On the one hand, it can cooperate with the research and development of new liquor products to achieve sustained profit growth; on the other hand, it can reduce the risk that managers will choose to conduct earnings management or other short-term economic behavior in order to achieve the target in the incentive period.

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