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QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD*

青島創新奇智科技集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2121)

**CONNECTED TRANSACTION
ENTERING INTO A CONTRACT FOR CUSTOM-MADE
UNDERTAKING AND PROCUREMENT OF
TECHNICAL SERVICES**

THE TRANSACTION

On April 20, 2022, CISAI Tech, a subsidiary of the Company, entered into a Contract for Custom-made Undertaking and Procurement of Technical Services (the “**Contract**”) with CISDI Engineering, pursuant to which CISAI Tech will provide the agreed products and technical services to CISDI Engineering for a consideration of RMB69,934,100 (the “**Transaction**”).

IMPLICATIONS OF THE LISTING RULES

As of the date of this announcement, CISAI Tech is owned as to 51% by the Company and as to 49% by CISDI Information and is a subsidiary of the Company. CISDI Information is a substantial shareholder of CISAI Tech, a subsidiary of the Company. In light of the fact that CISAI Tech does not constitute an insignificant subsidiary under Rule 14A.09 of the Listing Rules, CISDI Information and its associates constitute connected persons at the subsidiary level of the Company. As CISDI Engineering is a subsidiary of CISDI Group, the holding company of CISDI Information, CISDI Engineering is an associate of CISDI Information and constitutes a connected person of the Company. Accordingly, the Contract and the transactions hereunder constitute connected transactions of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, if there are a series of connected transactions all conducted or completed within the same 12-month period, or if the relevant transactions are connected with each other, these transactions shall be aggregated. On March 1, 2021, CISAI Tech entered into a Design Outsourcing Contract with CISDI Engineering, pursuant to which CISAI Tech provided design services to CISDI Engineering for a consideration of RMB1,032,980 (the “**Previous Transaction**”) and it was completed in July 2021. Pursuant to Rule 14A.76 of the Listing Rules, the Previous Transaction is exempt from the announcement, annual reporting and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules as the maximum applicable percentage ratio (as defined in the Listing Rules, the same below) of the Previous Transaction is less than 1% and such transaction constitutes a connected transaction with a connected person at subsidiary level. As the Transaction and the Previous Transaction were conducted within the same 12-month period, the counterparty was CISDI Engineering and the transactions were of the same nature, the Transaction and the Previous Transaction shall be aggregated under Rule 14A.81 of the Listing Rules.

Given that the maximum applicable percentage ratio of the Transaction after taking into account the aggregation is higher than 5% and pursuant to Rule 14A.101 of the Listing Rules, as (i) CISDI Engineering is a connected person at the level of a subsidiary of the Company; (ii) the Board has approved the Contract; and (iii) the independent non-executive Directors have confirmed that the terms of the Contract and the transactions thereunder are fair and reasonable and entered into by the Company in the ordinary course of business on normal commercial terms or on better terms and are in the interests of the Company and its shareholders as a whole, the Contract and the transactions contemplated hereunder are subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the circular (including the independent financial advice) and independent shareholders’ approval requirements.

The Contract and the transactions thereunder are revenue in nature and are conducted in the ordinary and usual course of business of the Group and do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

1. CONTRACT FOR CUSTOM-MADE UNDERTAKING AND PROCUREMENT OF TECHNICAL SERVICES

The main terms of the Contract for Custom-made Undertaking and Procurement of Technical Services are set out as follows:

Date

April 20, 2022

Contracting Parties

CISDI Engineering, as the Customizer;

CISAI Tech, as the Contractor.

Subject Matter

According to the Contract, CISAI Tech shall complete the design, manufacturing of the Products specified by CISDI Engineering and the Owner in the General Contracting Contract in accordance with the requirements of the Contract, and provide technical services, training and etc. to CISDI Engineering, including but not limited to dispatching experienced technical personnel to guide the installation during the Products installation period, carrying out guidance on the commissioning of the Products, as well as technical guidance during the trial production period, dispatching technical personnel on site to deal with and solve all kinds of product-related problems until the Products are put into normal operation; ensuring that the Products pass all tests, commissioning and functional assessments; solving quality problems during the warranty period, and etc.

Contract Consideration and Payment Conditions

The total consideration of the Contract for Custom-made Undertaking and Procurement of Technical Services is RMB69,934,100. The price is a tax-fixed price and is not subject to changes in market conditions.

The above consideration was determined after arm's length negotiations between both parties to the Contract for Custom-made Undertaking and Procurement of Technical Services in respect of the reasonable costs and expenses to be incurred for the Products and services to be provided by the Contractor.

The Customizer shall pay the contract price to the Contractor by cash bank transfer and promissory notes of not less than 70% within 45 days after the following payment conditions have been met:

Name	Proportion	Amount	Payment Conditions
		<i>(RMB10,000)</i>	
Payment for equipment costs:			
Prepayment	30%	1,064.46	The Contractor provides relevant receipts;
Payment for pick-up of goods	20%	709.64	(i) The Contractor gives notice of readiness of goods;
			(ii) The Contractor submits relevant invoices and receipts.

Name	Proportion	Amount	Payment Conditions
		<i>(RMB10,000)</i>	
Payment for arrival of goods	30%	1,064.46	(i) The Customizer receives relevant list and the equipments are delivered to the construction site;
			(ii) The Contractor passes acceptance inspection;
			(iii) The Contractor submits relevant invoices and receipts.
Payment for putting into production	15%	532.23	(i) After the project is put into operation, the production is guaranteed for 3 months and the standards and production are reached;
			(ii) The Contractor submits relevant receipts.
Quality guarantee deposit	5%	177.41	(i) The warranty period expires and no claims have occurred during the period;
			(ii) The Contractor submits relevant receipts.
Payment for software design and development fee:			
Prepayment	30%	1,033.563	The Contractor provides relevant receipts;
Progress payment	20%	689.042	(i) The Contractor submits notice of design completion;
			(ii) The Contractor submits relevant invoices and receipts.
Commissioning payment	30%	1,033.563	(i) The Contractor submits notice of commissioning completion;
			(ii) The Contractor submits relevant invoices and receipts.

Name	Proportion	Amount	Payment Conditions
		(RMB10,000)	
Performance assessment payment	17%	585.6857	(i) The software is put into use and the acceptance inspection of function assessment is passed;
			(ii) The Contractor submits relevant receipts.
Warranty period	3%	103.3563	(i) The acceptance inspection of function assessment for Products is passed and the operation at full load lasts for 2 years;
			(ii) The Contractor submits relevant receipts.

Liabilities of Defaults

- (1) If the Contractor delays the performance of its obligations under the Contract, including delay in delivery of any batch of the Products, the Customizer shall be entitled to require the Contractor to pay compensation for overdue loss at 0.5% of the contract price for each day of delay from the date of delay.
- (2) If the Products fail to meet the performance indicators and functional requirements specified in the Contract within the specified time, so that all or a part of works items specified in the purchase orders of the Contract for Custom-made Undertaking and Procurement of Technical Services fail to pass the assessment, but still have production functions and use functions, the Contractor shall pay the Customizer 10% of the contract price as the compensation amount. The Customizer shall be entitled to deduct such compensation due to failure to meet the performance assessment standards from the current or subsequent payables or the performance bond.
- (3) If the Contractor subcontracts or subcontracts without the permission of the Customizer, it shall bear the liquidated damages of 10% of the total contract price. Other losses suffered by the Customizer as a result shall be enforced in accordance with the relevant provisions of the Contract.
- (4) The Contractor's delegated agent shall submit the cautions in the contract terms and the annexes to each specific execution department of the Contractor.

2. DESIGN OUTSOURCING CONTRACT

The main terms of the Design Outsourcing Contract are set out as follows:

Date

March 1, 2021

Contracting Parties

CISDI Engineering, as the service recipient;

CISAI Tech, as the service provider.

Subject Matter

CISAI Tech provides design services to CISDI Engineering based on the requirements of CISDI Engineering, the projects include researches on intelligent platform, designs of interface platform and the design of intelligent molten iron transportation.

Consideration and Payment Conditions

The total consideration of the Design Outsourcing Contract is RMB1,032,980. After receiving the qualified design materials submitted by CISAI Tech, CISDI Engineering shall make the one-time payment within 7 days after received the invoice.

The above consideration is determined between the parties after arm's length negotiations for the reasonable cost and expense to be incurred from the design services provided by CISAI Tech.

Liabilities of Defaults

After the Design Outsourcing Contract takes effect, neither party shall modify or cancel the contract at will, otherwise shall be deemed as breach of contract, and the breaching party shall pay the other party a penalty of 10% of the total contract price and compensate the other party for all economic losses caused thereby.

If CISDI Engineering is overdue for payment, CISAI Tech will charge a late fee based on the actual number of days in arrears at the bank's loan interest rate for the same period and have the right to postpone the delivery time.

3. IMPLICATIONS OF THE LISTING RULES

As of the date of this announcement, CISAI Tech is owned as to 51% by the Company and as to 49% by CISDI Information and is a subsidiary of the Company. CISDI Information is a substantial shareholder of CISAI Tech, a subsidiary of the Company. In light of the fact that CISAI Tech does not constitute an insignificant subsidiary under Rule 14A.09 of the Listing Rules, CISDI Information and its associates constitute connected persons at the subsidiary level of the Company. As CISDI Engineering is a subsidiary of CISDI Group, the holding company of CISDI Information, CISDI Engineering is an associate of CISDI Information and constitutes a connected person of the Company. Accordingly, the Contract and the transactions hereunder constitute connected transactions of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, if there are a series of connected transactions all conducted or completed within the same 12-month period, or if the relevant transactions are connected with each other, these transactions shall be aggregated. On March 1, 2021, CISAI Tech entered into a Design Outsourcing Contract with CISDI Engineering, pursuant to which CISAI Tech provided design services to CISDI Engineering for a consideration of RMB1,032,980 and it was completed in July 2021. Pursuant to Rule 14A.76 of the Listing Rules, the Previous Transaction is exempt from the announcement, annual reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the maximum applicable percentage ratio (as defined in the Listing Rules, the same below) of the Previous Transaction is less than 1% and such transaction constitutes a connected transaction with a connected person at subsidiary level. As the Transaction and the Previous Transaction were conducted within the same 12-month period, the counterparty was CISDI Engineering and the transactions were of the same nature, the Transaction and the Previous Transaction shall be aggregated under Rule 14A.81 of the Listing Rules.

Given that the maximum applicable percentage ratio of the Transaction after taking into account the aggregation is higher than 5% and pursuant to Rule 14A.101 of the Listing Rules, as (i) CISDI Engineering is a connected person at the level of a subsidiary of the Company; (ii) the Board has approved the Contract; and (iii) the independent non-executive Directors have confirmed that the terms of the Contract and the transactions thereunder are fair and reasonable and entered into by the Company in the ordinary course of business on normal commercial terms or on better terms and are in the interests of the Company and its shareholders as a whole, the Contract and the transactions contemplated hereunder are subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the circular (including the independent financial advice) and independent shareholders' approval requirements.

The Contract and its transactions are revenue in nature and are conducted in the ordinary and usual course of business of the Group and do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

4. REASONS AND BENEFITS OF THE TRANSACTION

The Transaction fully combines the AI algorithm software capability of CISAI Tech with the engineering and industry understanding ability of CISDI Engineering, enabling the Company to successfully supply AI solutions to one of the largest steel mills in China, further increasing the market share of the Company's intelligent molten iron solutions and realizing the reuse and expansion of intelligent molten iron solutions once again.

5. DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Contract and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms or better for the Company and has been entered into in the ordinary and usual course of business of the Company, and the Contract and the transaction contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

None of the Directors has a material interest in the Transaction, thus no Director shall abstain from voting on the relevant board resolutions in respect of the Transaction.

6. GENERAL INFORMATION

The Company is a company established under the laws of the PRC on February 6, 2018 with limited liability, which focuses on developing and delivering AI-based products and solutions for the manufacturing and financial services industries in China.

CISAI Tech is a company incorporated under the laws of the PRC on March 29, 2019 with limited liability, mainly engaging in intelligent logistics. CISAI Tech is held as to 51% and 49% by the Company and CISDI Information respectively. CISAI Tech is also a subsidiary of the Company.

CISDI Engineering is a joint stock limited company incorporated in the PRC, mainly engaging in the businesses such as total solutions, consultation, engineering design, general contracting, complete sets of equipments, engineering supervision, production and operation services for steel enterprises. CISDI Engineering is a subsidiary of CISDI Group, the holding company of CISDI Information, and the connected person of the Company at the subsidiary level.

7. DEFINITION

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

“CISAI Tech” or “Contractor” Chongqing CISAI Technology Co., Ltd. (重慶賽迪奇智人工智能科技有限公司), held as to 51% and 49% by the Company and CISDI Information respectively, and also a subsidiary of the Company

“CISDI Engineering” or “Customizer” CISDI Engineering Co., Ltd (中冶賽迪工程技術股份有限公司), is a subsidiary of CISDI Group, the holding company of CISDI Information, and constitutes the connected person of the Company at the subsidiary level

CISDI Engineering is held as to 72.54%, 13.34%, 6.28%, 4.32%, 1.96%, 0.78% and 0.78% by CISDI Group (whose ultimate beneficial owner was Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 601618) and the Stock Exchange (stock code: 1618) respectively), Pangang Group Vanadium & Titanium Resources Co., Ltd. (攀鋼集團釩鈦資源股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 000629), Shanghai Baosight Software Co., Ltd. (上海寶信軟件股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600845), Yantai City Industrial Furnace Factory (烟台市工業爐廠), Xi’an Shaangu Power Co., Ltd. (西安陝鼓動力股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 601369), Shaanxi Yayan Industry Co., Ltd. (陝西壓延實業有限公司) (whose ultimate beneficial owner was State-owned Assets Supervision and Administration Commission of Shaanxi Provincial People’s Government (陝西省人民政府國有資產監督管理委員會)) and Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 603100) respectively

“CISDI Group” CISDI Group Co., Ltd. (賽迪集團有限公司), the holding company of CISDI Information, and constituting the connected person of the Company at the subsidiary level

“CISDI Information”	CISDI Chongqing Information Technology Co., Ltd. (中冶賽迪重慶信息技術有限公司), a substantial shareholder of CISAI Tech and the connected person of the Company at the subsidiary level
“Company”, “our Company” or “the Company”	Qingdao AInnovation Technology Group Co., Ltd (青島創新奇智科技集團股份有限公司), which was established with limited liabilities under the laws of the PRC on February 6, 2018 and converted into a joint stock limited company on May 19, 2021, and its H shares are listed on the Stock Exchange (stock code: 2121)
“Contract for Custom-made Undertaking and Procurement of Technical Services” or “the Contract”	the Contract for Custom-made Undertaking and Procurement of Technical Services entered into between the Company’s subsidiary CISAI Tech and CISDI Engineering on April 20, 2022, pursuant to which CISAI Tech Provides customized Products and technical services to CISDI Engineering for a consideration of RMB69,934,100
“Design Outsourcing Contract”	the Design Outsourcing Contract entered into between the Company’s subsidiary CISAI Tech and CISDI Engineering on March 1, 2021, pursuant to which CISAI Tech provides design services to CISDI Engineering for a consideration of RMB1,032,980
“Director(s)”	the director(s) of our Company
“General Contracting Contract”	General Contracting Contract entered into between CISDI Engineering and the Owner, pursuant to which CISDI Engineering (as the Contractor) provides general contracting services of the intelligent molten iron transportation system to the Owner (as the offeror)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented, or otherwise modified from time to time
“Owner(s)”	the project owner and its associates and transferee companies as specified in the purchase orders of the Contract for Custom-made Undertaking and Procurement of Technical Services
“PRC” or “China”	the People’s Republic of China

“Products” the products that CISAI Tech promises to provide to CISDI Engineering, including intelligent molten iron transportation system and software design and development

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By Order of the Board
QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD
青島創新奇智科技集團股份有限公司
Xu Hui
Executive Director and Chief Executive Officer

Hong Kong, April 20, 2022

As at the date of this announcement, the Board of the Company comprises Mr. Xu Hui as executive director, Dr. Kai-Fu Lee, Mr. Wang Hua and Mr. Zhou Wei as non-executive directors, Mr. Xie Deren, Ms. Ko Wing Yan Samantha and Ms. Jin Keyu as independent non-executive directors.

* *For identification purposes only*