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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE
ACQUISITION OF 51% EQUITY INTEREST
IN TWO TARGET COMPANIES**

SHARE TRANSFER AGREEMENT I

The Board is pleased to announce that, on 20 May 2022, the Company entered into the Share Transfer Agreement with the Vendors I, pursuant to which the Company has agreed to conditionally purchase, and the Vendors I have agreed to conditionally sell, an aggregate of 51% interest in Target Company I at the total consideration of RMB153.0 million (the “**Acquisition I**”).

SHARE TRANSFER AGREEMENT II

The Board is pleased to announce that, on 20 May 2022, the Company entered into the Share Transfer Agreement with the Vendors II, pursuant to which the Company has agreed to conditionally purchase, and the Vendors II have agreed to conditionally sell, an aggregate of 51% interest in Target Company II at the total consideration of RMB122.4 million (the “**Acquisition II**”).

IMPLICATIONS OF THE LISTING RULES

In accordance with Chapter 14 of the Listing Rules, as the highest applicable percentage ratios in relation to the transactions contemplated under Share Transfer Agreement I and Share Transfer Agreement II exceed 5% but less than 25%, the transactions contemplated under Share Transfer Agreement I and Share Transfer Agreement II constitute a discloseable transaction of the Company respectively and are therefore subject to the announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

I. SHARE TRANSFER AGREEMENT I

The main terms and conditions of Share Transfer Agreement I are set out as follows:

1. DATE

20 May 2022

2. CONTRACTING PARTIES

The Company, as the Purchaser;

Chen Hong, as the Vendor;

Liao Lu, as the Vendor;

He Li, as the Vendor;

Target Company I;

Shanghai Haochen; and

Shanghai Xiyao.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, Chen Hong, Liao Lu, He Li, Target Company I, Shanghai Haochen and Shanghai Xiyao are third parties independent of the Company and its associates.

3. TOTAL CONTRACT CONSIDERATION AND PAYMENT CONDITIONS

The total consideration of Share Transfer Agreement I is RMB153.0 million, which is determined after arm's length negotiation between the Company and Vendors I based on the projected revenue of Target Company I in 2022 and price-to-sales ratio of five comparable companies in 2022, with reference to marketability discount and transaction discount for cash only transaction of Target Company I as a non-listed company. The five comparable companies are listed on Shanghai Stock Exchange or Shenzhen Stock Exchange.

The total consideration will be paid in four instalments in cash. 65.9% of the payment of the total consideration will be funded by the internal resources of the Company, and the remaining 34.1% of the payment of the consideration will be funded by the proceeds from initial public offering of H shares of the Company on the Stock Exchange. The first share transfer payment (the "**First Share Transfer Payment**") is 50% of the total consideration for the share transfer, i.e. RMB76.5 million. The Company shall pay Vendors I within two (2) business days after Target Company I completed the relevant industrial and commercial changes/filing procedure in accordance with the requirements of Share Transfer Agreement I. The second, third and fourth share transfer payments are 1/6 of the

total consideration for the share transfer, respectively, i.e. RMB25.5 million (the “**Share Transfer Payment before Adjustment**”), and will be paid in three years. At that time, each share transfer payment actually paid by the Company to Vendors I will be adjusted accordingly as specified in the section headed “I. SHARE TRANSFER AGREEMENT I — 6. PERFORMANCE COMMITMENT” below. The total consideration for the share transfer shall be distributed among the Vendors I based on the proportion of the number of shares transferred by each vendor in this equity transfer. For details of the performance commitment and adjustment mechanism, please refer to the section headed “I. SHARE TRANSFER AGREEMENT I — 6. PERFORMANCE COMMITMENT”.

4. CONDITIONS PRECEDENT

Closing of Share Transfer Agreement I shall be conditional upon satisfaction or waiver (as the case may be) of the following conditions precedent:

- (1) The Company or the intermediary service agency engaged by the Company has completed the relevant due diligence work on Target Company I (the subject of the due diligence work includes the legal, financial and tax compliance of Target Company I) and the Company is satisfied with the results of the due diligence;
- (2) The transaction documents have been validly executed with effect and delivered to the Company;
- (3) All parties to the agreements have obtained all government authorities, approvals and filings (if any) and the consents of all relevant third parties (for example, creditors of Target Company I) that are necessary for completing the transactions contemplated under the transaction documents, and such consents and approvals have not substantially altered the commercial conditions under the transaction documents and remain in full effect and force at the time of closing;
- (4) Target Company I has completed the procedures for the filing of the articles of association and the register of shareholders of the latest equity structure as of the date of Share Transfer Agreement I, and the equity structure of Target Company I after the filing meets the relevant requirements of Share Transfer Agreement I;
- (5) Target Company I has completed all internal approval procedures for this equity transfer, and the shareholders’ meeting of Target Company I has agreed to amend the articles of association, and agreed to the resolution on the Company’s appointment of three directors and one supervisor and the resolution of the newly-formed board of directors on election of a director appointed by the Company as chairperson (the board of directors of Target Company I being comprised of five directors, of which the Company may appoint three directors and other shareholders may appoint two directors; and the board of supervisors of Target Company I will be comprised of three members, of which one will be an employee supervisor, one will be appointed by the Company, and the other will be appointed by other shareholders), and the shareholders’ meeting/the board of directors of Target Company I has agreed to authorize its representative to handle the industrial and commercial registration/filing of changes relevant to this transfer;

- (6) The statements and guarantees of Target Company I and Vendors I under Share Transfer Agreement I are true, accurate, complete and not misleading in all material aspects, and they have not breached the undertakings that shall be performed at or before the Closing Date (as defined below) under Share Transfer Agreement I nor did they have any acts of breaching Share Transfer Agreement I;
- (7) Up to the Closing Date, there have been no laws or rules restricting, prohibiting or cancelling this transfer, nor are there any pending lawsuit, arbitration, judgment, ruling, claim, petition or injunction that have or may have material and adverse impact on Target Company I and its subsidiaries and this transfer;
- (8) Up to the Closing Date, no events have or may occur that cause material and adverse impact on the financial conditions, operating results, technologies, assets or businesses of Target Company I and its subsidiaries; and
- (9) Target Company I has provided the Company with the Closing Certificate signed jointly by Target Company I and Vendors I for fulfilling all conditions precedent under Share Transfer Agreement I.

5. CLOSING

Within two (2) business days after the Company confirmed that the above conditions precedent have been satisfied or waived (as the case may be), Target Company I shall provide the Company with the corresponding original share certificates and copies of the updated register of shareholders (the shareholding structure of Target Company I shall meet the relevant requirements of Share Transfer Agreement I), and the above documents shall be affixed with the official corporate seal of Target Company I. The provision by Target Company I of share certificates, the register of shareholders according to the above requirements shall be deemed as the closing of this share transfer, and the date on which Target Company I provided the Company with share certificates, the register of shareholders shall be the closing date of this transfer (the “**Closing Date**”). Vendors I shall procure and assist (if needed) Target Company I to provide the Company with the above documents.

Unless with the written waiver of the Company, Target Company I shall and Vendors I shall procure and assist Target Company I to complete the share transfer and the procedures for the registration of change/filing of the persons appointed by the Company within ten (10) business days after the Closing Date.

Upon completion of the Acquisition I, Target Company I will become a subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

6. PERFORMANCE COMMITMENT

All parties agreed that the years of 2022, 2023 and 2024 will be the performance commitment period (the “**Performance Commitment Period**”) of Vendors I, during which, except for the matters that shall be considered and approved by the board of directors, the board of supervisors and the shareholders’ meeting of Target Company I as required by the laws and rules, the articles of association of Target Company I and the transactions documents or the matters that shall be agreed in writing by the Company before being implemented, for the major operation and management matters of Target Company I that shall be the sole responsibility of Chen Hong, an existing shareholder of Target Company I, Chen Hong undertakes that the following performance indicators will be satisfied:

Item Financial Year	Performance Commitment Indicator		
	2022 ¹	2023	2024
Revenue (RMB0’000)	21,818	33,000	44,000
Sales gross margin ²	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Financial gross margin ³	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Net profit (excluding extraordinary gains and losses) ⁴ (RMB0’000)	660	1,320	1,760

Notes:

1. The performance indicators for 2022 refer to the performance indicators consolidated after the Company acquired Target Company I only.
2. Sales gross margin = (turnover – external procurement costs)/revenue.
3. Financial gross margin = (turnover – costs of revenue)/revenue.
4. Net profit (excluding extraordinary gains and losses) refers to the net profit after deducting the extraordinary gains and losses.

The remaining share transfer payment (other than the first share transfer payment) shall be paid in three years. The Vendors I may apply for payment based on the fulfillment of the Performance Commitment Indicator and the collection of payments of the previous year from the date of the publish of the annual results of the Company on the Stock Exchange to 30 June of that year, and may provide the Company with the corresponding financial statements, audit reports and other relevant financial information required by the Company (if the Vendors I have not submitted an application by 30 June of the year, the Company will directly initiate payment settlement). The Company shall calculate the Share Transfer Payment (each amount being referred to as “**Adjusted Share Transfer Price**”) to be paid in the year according to the fulfillment of the Performance Commitment Indicator, and pay it to each of Vendors I separately according to the following formula:

- (1) Adjusted Share Transfer Payment = Share Transfer Payment before Adjustment × The performance achievement rate after taking into account the collection of payments

Wherein:

- (i) The performance achievement rate = The achievement rate of revenue × 40% + The achievement rate of net profit (excluding extraordinary gains and losses) × 40% + The achievement rate of sales gross margin (the corresponding base value of the target sales gross margin that meets the annual business guideline of the Company is 10%) + The achievement rate of financial gross margin (the corresponding base value of the target financial gross margin that meets the annual business guideline of the Company is 10%);
- (ii) The achievement rate of revenue = Annual actual revenue/annual committed revenue; The achievement rate of net profit (excluding extraordinary gains and losses) = Annual actual net profit (excluding extraordinary gains and losses)/ Annual committed net profit (excluding extraordinary gains and losses); The achievement rate of sales gross margin (X) needs to meet the following conditions at the same time “X = Annual actual sales gross margin – Target sales gross margin of the Company annual business guideline + 10%, and the maximum X shall be not exceed 20% (inclusive, the part exceeding 20% will not be calculated), and the minimum X shall not be less than 0% (inclusive, if it is less than 0%, the overall performance achievement rate will be 0%)”; The achievement rate of financial gross margin (Y) needs to meet the following conditions at the same time “Y = Annual actual financial gross margin – Target financial gross margin of the Company annual business guideline + 10%, and the maximum Y shall be not exceed 20% (inclusive, the part exceeding 20% will not be calculated), and the minimum Y shall not be less than 0% (inclusive, if it is less than 0%, the overall performance achievement rate will be 0%)”;

- (iii) The performance achievement rate after taking into account the collection of payments merely refers to the performance achievement rate derived by calculating the above specific achievement rates based on the business, of which the payment has been made. It means that the achievement rate of revenue is calculated merely based on the revenue of the business, of which the payment has been made; the achievement rate of net profit (excluding extraordinary gains and losses) is calculated merely based on the overall net profit (excluding extraordinary gains and losses) of Target Company I from the business, of which the payment has been made; the achievement rate of sales gross margin is calculated merely based on the sales gross margin of the business, of which the payment has been made; and the achievement rate of financial gross margin is calculated merely based on the financial gross margin of the business, of which the payment has been made;
 - (iv) 30 June of each year or the date on which the Vendors I make payment application (whichever is earlier) shall be the closing date for collection of payments for the previous year (the “**Collection Date**”). The Company shall calculate the performance achievement rate after considering the collection status based on the actual collection status before the Collection Date and settle the share transfer payment for the previous year, the income of Target Company I recognized in the audit report for the previous year that was collected after 30 June of any year will be calculated, settled and paid in the next year; and
 - (v) The above indicators such as income and profit shall be based on the audit results of the auditing agency designated by the Company.
- (2) If Target Company I has any of the following circumstances in any year during the Performance Commitment Period, the Company shall not pay the share transfer payment for that year. At the same time, the Company shall have the right to terminate the payment of any share transfer payment for future years during the Performance Commitment Period, the damages required in Share Transfer Agreement I or terminate the agreement:
- (i) the achievement rate of revenue is less than 75%;
 - (ii) the achievement rate of net profit (excluding extraordinary gains and losses) is less than 75%;
 - (iii) the achievement rate of sales gross margin is less than 0%; or
 - (iv) the achievement rate of financial gross margin) is less than 0%.

7. GENERAL INFORMATION

The Company

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

Chen Hong

Mr. Chen Hong is a PRC citizen. As at the date of this announcement, Mr. Chen Hong holds approximately 35.74% equity interest in Target Company I.

Liao Lu

Ms. Liao Lu is a PRC citizen. As at the date of this announcement, Ms. Liao Lu holds approximately 15.82% equity interest in Target Company I.

He Li

Ms. He Li is a PRC citizen. As at the date of this announcement, Ms. He Li holds approximately 41.81% equity interest in Target Company I.

Shanghai Haochen

Shanghai Haochen is a limited partnership enterprise established under the laws of the PRC on 27 October 2017, mainly engaging in the enterprise management consulting, business consulting, legal consulting, construction project cost consulting, corporate marketing planning, cultural and artistic exchange planning services. As at the date of this announcement, Shanghai Haochen is held by 28 natural person shareholders including Liu Qian, Wang Ye, Zhong Ying, Wen Rungen and Zhu Shenglei. The managing partner of Shanghai Haochen is Chen Hong. The substantial shareholders of Shanghai Haochen are Liu Gan, Wang Ye and Zhong Ying, who hold approximately 17.78%, 17.50% and 10.11% of the equity interests in Shanghai Haochen, respectively, the shareholding percentage of the remaining natural person shareholders is below 10%.

Shanghai Xiyao

Shanghai Xiyao is a limited partnership enterprise established under the laws of the PRC on 25 December 2020, mainly engaging in the social and economic consulting services, information consulting services, legal consulting, marketing planning, conference services and exhibition services. As at the date of this announcement, Shanghai Xiyao is held as to 90% and 10% by Chen Hong and Liao Lu, respectively. The managing partner of Shanghai Xiyao is Chen Hong. The ultimate beneficial owner of Shanghai Xiyao is Chen Hong.

Target Company I

Target Company I is a company established with limited liabilities under the laws of the PRC on 21 July 2003. It has been long committed to providing integrated solutions for intelligent industrial automation systems, including a complete set of automated material conveying system, intelligent control system, man-machine interactive system and information software platforms, in area of intelligent manufacturing, covering automobile and automobile parts factory, new energy base, 3C electronic digital assembly workshop, discrete industrial automation production line and high-end equipment, and to achieving the “specialized, fine, special, new (專、精、特、新)” and “domestic replacement (國產替代)” in the vertical segmentation scenarios, including automotive assembly, body welding, battery front and rear end production line, MES system, cell coating, laser equipment, 3C electronic intelligent assembly, intelligent logistics, AGV robot, industrial software, three-dimensional storage.

Immediately prior to and following the equity transfer, the shareholding structure of Target Company I is as follows:

Name of shareholder	Immediately prior to the equity transfer <i>Proportion of shareholding (%)</i>	Immediately following the completion of the equity transfer <i>Proportion of shareholding (%)</i>
The Company	—	51.0000
Chen Hong	35.7422	30.5078
Liao Lu	15.8203	11.8672
He Li	41.8125	—
Shanghai Haochen	5.6250	5.6250
Shanghai Xiyao	1.0000	1.0000
Total	100.0000	100.0000

The below table sets out the unaudited consolidated total assets and net assets of Target Company I as at 31 December 2020 and 31 December 2021:

	As at 31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	264,076	256,775
Net assets	84,659	78,292

The below table sets out the unaudited consolidated total revenue and profit of Target Company I for the two financial years ended 31 December 2020 and 31 December 2021:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	188,836	213,934
Profit/(loss) before income tax expense	9,115	(5,600)
Profit/(loss) after income tax expense	8,748	(6,617)

8. REASONS AND BENEFITS OF ACQUISITION I

The Company believes that Target Company I, as a “specialized, fine, special, new (專、精、特、新)” enterprise in Shanghai, has rich industry implementation experience in vertical segmentation industries, such as automotive equipment, and software engineering capabilities. On the one hand, the solutions for intelligent industrial automation systems of Target Company I can be used as the carrier of artificial intelligence application, further broadening the application scenarios of artificial intelligence technology. The development environment and various tools provide the MMOC platform of the Company with the support for the upstream, middle and downstream operations, effectively promoting the innovation, dissemination, and reuse of the AI intelligence algorithms and products supported by MMOC in a larger range, higher frequency and shorter path. On the other hand, Target Company I has a rich understanding of the industry, which provides a rich source of industry knowledge for the continuous iteration of our AI products and solutions of the Company. In this way, the acquisition will help the Company expand and deepen the application of AI technology in vertical industry segments, thus achieving the “specialized, fine, special, new (專、精、特、新)” and “domestic replacement (國產替代)”.

The Directors (including independent non-executive Directors) have considered and approved the resolution on Share Transfer Agreement I. The Directors are of the opinion that, (i) the Acquisition I is on normal commercial terms or more favourable terms; (ii) the terms and conditions of the Acquisition I are fair and reasonable; and (iii) the Acquisition I is in the interest of the Company and the Shareholders as a whole.

9. IMPLICATIONS OF THE LISTING RULES

In accordance with Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in relation to the transactions contemplated under Share Transfer Agreement I exceeds 5% but less than 25%, the transaction contemplated under Share Transfer Agreement I constitutes a discloseable transaction of Company and is therefore subject to the announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

II. SHARE TRANSFER AGREEMENT II

The main terms and conditions of Share Transfer Agreement II are set out as follows:

1. DATE

20 May 2022

2. CONTRACTING PARTIES

The Company, as the Purchaser;

Li Weiguo, as the Vendor;

Li Junhong, as the Vendor;

Zhou Changbin, as the Vendor;

Target Company II;

Qingdao Aolizhiyuan; and

Qingdao Aoliruiyuan.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, Li Weiguo, Li Junhong, Zhou Changbin, Target Company II, Qingdao Aolizhiyuan and Qingdao Aoliruiyuan are third parties independent of the Company and its associates.

3. TOTAL CONTRACT CONSIDERATION AND PAYMENT CONDITIONS

The total consideration of Share Transfer Agreement II is RMB122.4 million. The total consideration is determined after arm's length negotiation between the Company and Vendors II based on the projected revenue of Target Company II in 2022 and price-to-sales ratio of six comparable companies in 2022, with reference to marketability discount and transaction discount for cash only transaction of Target Company II as a non-listed company. The six comparable companies are listed on Shanghai Stock Exchange or Shenzhen Stock Exchange.

The total consideration will be paid in four instalments in cash. 65.9% of the payment of the consideration will be funded by the internal resources of the Company, and the remaining 34.1% of the payment of the consideration will be funded by the proceeds from initial public offering of H shares of the Company on the Stock Exchange. The first share transfer payment (the “**First Share Transfer Payment**”) is 50% of the total consideration for the share transfer, i.e. RMB61.20 million. The Company shall pay Vendors II within two (2) business days after Target Company II completed the relevant industrial and commercial changes/filing procedure in accordance with the requirements of the Share Transfer Agreement II. The second, third and fourth share transfer payments are 1/6 of the total consideration for the share transfer, respectively, i.e. RMB20.40 million (the “**Share Transfer Payment before Adjustment**”), and will be paid in three years. At that time, each share transfer payment actually paid by the Company to Vendors II will be adjusted accordingly as specified in the section headed “II. SHARE TRANSFER AGREEMENT II — 6. PERFORMANCE COMMITMENT” below. The total consideration for the share transfer shall be distributed among the Vendors II based on the proportion of the number of shares transferred by each vendor In this equity transfer. For details of the performance commitment and adjustment mechanism, please refer to the section headed “II. SHARE TRANSFER AGREEMENT II — 6. PERFORMANCE COMMITMENT”.

4. CONDITIONS PRECEDENT

Closing of Share Transfer Agreement II shall be conditional upon satisfaction or waiver (as the case may be) of the following conditions precedent:

- (1) The Company or the intermediary service agency engaged by the Company has completed the relevant due diligence work on Target Company II (the subject of the due diligence work includes the legal, financial and tax compliance of Target Company II) and the Company is satisfied with the results of the due diligence;
- (2) The transaction documents have been validly executed with effect and delivered to the Company;
- (3) All parties to the agreements have obtained all government authorities, approvals and filings (if any) and the consents of all relevant third parties (including without limitation the creditors of Target Company II) that are necessary for completing the transactions contemplated under the transaction documents, and such consents and approvals have not substantially altered the commercial conditions under the transaction documents and remain in full effect and force at the time of closing;
- (4) The shareholders’ meeting of Target Company II has passed the resolutions on the agreement of this transfer, formation of the board of directors of Target Company II, appointment of supervisors, grant of authority to the company representative to handle the relevant industrial and commercial registration/filing of changes and other relevant matters such as each of Qingdao Aolizhiyuan and Qingdao Aoliruiyuan waiving the right of first refusal for this transfer;

- (5) The statements and guarantees of Target Company II and Vendors II under Share Transfer Agreement II are true, accurate, complete and not misleading in all material aspects, and they have not breached the undertakings that shall be performed at or before the Closing Date (as defined below) under Share Transfer Agreement II nor did they have any acts of breaching Share Transfer Agreement II;
- (6) Each of Li Weiguo, Li Junhong, Qingdao Aolizhiyuan and Qingdao Aoliruiyuan, the shareholders of Target Company II has fully paid the registered capital of Target Company II and has provided the Company with the capital contribution proofs for paid-in registered capital;
- (7) Target Company II has obtained the updated “Certificate for Certification of Intellectual Property Rights Management System” (《知識產權管理體系認證證書》);
- (8) Target Company II has recovered the funds borrowed from related parties under other receivables, including the funds borrowed from Aolipu (Beijing) Intelligence Technology Co., Ltd. (奧利普(北京)智能科技有限公司), Qingdao Aolipu Intelligence Manufacturing Institute Co., Ltd. (青島奧利普智能製造研究院有限公司) and Qingdao Shupu Intelligence Interconnection Technology Co., Ltd. (青島數普智能互聯科技有限公司);
- (9) Qingdao Fuxiang Purifying Equipment Co., Ltd. (青島阜祥淨化設備有限公司) and Qingdao Zhengben Technology Innovation Investment Center (Limited Partnership) (青島正本科技創新投資中心(有限合夥)), both enterprises controlled by Li Weiguo, have completed the industrial and commercial registration of changes in the adjusted scope of business, and the adjusted scope of business does not include any activity that is same or similar to or competes directly or indirectly with that of Target Company II and its subsidiaries;
- (10) Target Company II has completed the execution of the lease contract with Qingdao Hi-tech Industry Development Co., Ltd. (青島高科產業發展有限公司) in relation to the leased premises located at the sixth floor of Block D, Software Building, Laoshan District, Qingdao;
- (11) Target Company II has obtained the compliance proofs from Qingdao Municipal Bureau of Human Resources and Social Security (青島市人力資源和社會保障局) and Qingdao Housing Provident Fund Management Center (青島市住房公積金管理中心) that Target Company II has contributed to the social insurance and the housing provident fund since inception;
- (12) Up to the Closing Date, there have been no laws or rules restricting, prohibiting or cancelling this transfer, nor are there any pending lawsuit, arbitration, judgment, ruling, claim, petition or injunction that have or may have material and adverse impact on Target Company II and this transfer;

(13)Up to the Closing Date, no events have or may occur that cause material and adverse impact on the financial conditions, operating results, technologies, assets or businesses of Target Company II and its subsidiaries; and

(14)Target Company II has provided the Company with the Closing Certificate signed and stamped with the official corporate seal jointly by Target Company II and Vendors II for fulfilling all conditions precedent under Share Transfer Agreement II.

5. CLOSING

Within two (2) business days after the Company confirmed that the above conditions precedent have been satisfied or waived (as the case may be), Target Company II shall provide the Company with the corresponding original capital contribution certificates and copies of the updated register of shareholders (the shareholding structure of Target Company II shall meet the relevant requirements of Share Transfer Agreement II). All of the above documents shall be stamped with the official corporate seal of Target Company II.

Target Company II shall and Vendors II shall procure and assist Target Company II to handle and complete the corresponding procedures for the industrial and commercial registration/filing of changes for this transfer within two (2) business days from the date on which the Company has confirmed that the conditions precedent to the closing are all satisfied or waived by the Company in writing, and the procedures for the industrial and commercial registration/filing of changes necessary for Target Company II to form the board of directors, for the Company to appoint directors (including five directors to the board of directors of Target Company II, of which the Company may appoint three directors, including one chairperson, and other shareholders may appoint two directors), appoint supervisors (Target Company II plans to appoint two supervisors, the Company may appoint one supervisor and other shareholders may appoint one supervisor) (including without limitation, Target Company II has obtained a new business license issued by the competent market regulator to it and completed the industrial and commercial filing procedures for the shareholding information of all shareholders after this transfer, including the articles of association, the register of shareholders, the list of members of the board of directors and the list of supervisors of Target Company II). After completion of the above registration/filing procedures, the shareholding structure of Target Company II shall meet the relevant requirements of Share Transfer Agreement II.

The date on which Target Company II provided the certificates for capital contribution and the register of shareholders and completed the procedures for the industrial and commercial registration/filing of changes for this transfer shall be the closing date of this transfer (the “**Closing Date**”). Vendors II shall procure and assist (if needed) Target Company II to provide the Company with the above documents.

Upon completion of the Acquisition II, Target Company II will become a subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

6. PERFORMANCE COMMITMENT

All parties agreed that the years of 2022, 2023 and 2024 will be the Performance Commitment Period (the “**Performance Commitment Period**”) of Vendors II, during which, except for the matters that shall be considered and approved by the shareholders’ meeting, the board of directors and the board of supervisors of Target Company II as required by the laws and rules, the articles of association of Target Company II and the transactions documents or the matters that shall be agreed in writing by the Company before being implemented, for the major operation and management matters of Target Company II that shall be the sole responsibility of Li Weiguo, an existing shareholder of Target Company II, Li Weiguo undertakes that the following performance indicators will be satisfied:

Item Financial Year	Performance Commitment Indicator		
	2022 ¹	2023	2024
Revenue (RMB0’000)	8,000	15,000	22,500
Sales gross margin ²	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Financial gross margin ³	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company	Meeting the annual business guideline of the Company
Net profit (excluding extraordinary gains and losses) ⁴ (RMB0’000)	600	1,100	2,300

Notes:

1. The performance indicators for 2022 refer to the performance indicators consolidated after the Company acquired Target Company II only.
2. Sales gross margin = (turnover – external procurement costs)/revenue.
3. Financial gross margin = (turnover – costs of revenue)/revenue.
4. Net profit (excluding extraordinary gains and losses) refers to the net profit after deducting the extraordinary gains and losses.

The remaining equity transfer payment (other than the first share transfer payment) shall be paid in three years. The Vendors II may apply for payment based on the fulfillment of the Performance Commitment Indicator and the collection of payments of the previous year from the date of the publish of the annual results of the Company on the Stock Exchange to 30 June of that year, and may provide the Company with the corresponding financial statements, audit reports and other relevant financial information required by the Company (if the Vendors II has not submitted an application by 30 June of the year, the Company will directly initiate payment settlement). The Company shall calculate the Equity Transfer Payment (each amount being referred to as “**Adjusted Equity Transfer Price**”) to be paid in the year according to the fulfillment of the Performance Commitment Indicator, and pay it to each Vendors II separately according to the following formula:

- (1) Adjusted Share Transfer Payment = Share Transfer Payment before Adjustment × The performance achievement rate after taking into account the collection of payments

Wherein:

- (i) The performance achievement rate = The achievement rate of revenue × 40% + The achievement rate of net profit (excluding extraordinary gains and losses) × 40% + The achievement rate of sales gross margin (the corresponding base value of the target sales gross margin that meets the annual business guideline of the Company is 10%) + The achievement rate of financial gross margin (the corresponding base value of the target financial gross margin that meets the annual business guideline of the Company is 10%);
- (ii) The achievement rate of revenue = Annual actual revenue/annual committed revenue; The achievement rate of net profit (excluding extraordinary gains and losses) = Annual actual net profit (excluding extraordinary gains and losses)/ Annual committed net profit (excluding extraordinary gains and losses); The achievement rate of sales gross margin (X) needs to meet the following conditions at the same time “X = Annual actual sales gross margin – Target sales gross margin of the Company annual business guideline + 10%, and the maximum X shall not exceed 20% (inclusive, the part exceeding 20% will not be calculated), and the minimum X shall not be less than 0% (inclusive, if it is less than 0%, the overall performance achievement rate will be 0%)”; The achievement rate of financial gross margin (Y) needs to meet the following conditions at the same time “Y = Annual actual financial gross margin – Target financial gross margin of the Company annual business guideline + 10%, and the maximum Y shall not exceed 20% (inclusive, the part exceeding 20% will not be calculated), and the minimum Y shall not be less than 0% (inclusive, if it is less than 0%, the overall performance achievement rate will be 0%)”;

- (iii) The performance achievement rate after taking into account the collection of payments merely refers to the performance achievement rate derived by calculating the above specific achievement rates based on the business, of which the payment has been made. It means that the achievement rate of revenue is calculated merely based on the revenue of the business, of which the payment has been made; the achievement rate of net profit (excluding extraordinary gains and losses) is calculated merely based on the overall net profit (excluding extraordinary gains and losses) of Target Company II from the business, of which the payment has been made; the achievement rate of sales gross margin is calculated merely based on the sales gross margin of the business, of which the payment has been made; and the achievement rate of financial gross margin is calculated merely based on the financial gross margin of the business, of which the payment has been made;
 - (iv) 30 June of each year or the date on which the Vendors II make payment application (whichever is earlier) shall be the closing date for collection of payments for the previous year (the “**Collection Date**”). The Company shall calculate the performance achievement rate after considering the collection status based on the actual collection status before the Collection Date and settle the share transfer payment for the previous year, the income of Target Company II recognized in the audit report for the previous year that was collected after 30 June of any year will be calculated, settled and paid in the next year; and
 - (v) The above indicators such as income and profit shall be based on the audit results of the auditing agency designated by the Company.
- (2) If Target Company II has any of the following circumstances in any year during the Performance Commitment Period, the Company shall not pay the share transfer payment for that year. At the same time, the Company shall have the right to terminate the payment of any share transfer payment for future years during the Performance Commitment Period, the damages required in Share Transfer Agreement II or terminate the agreement:
- (i) the achievement rate of revenue is less than 75%;
 - (ii) the achievement rate of net profit (excluding extraordinary gains and losses) is less than 75%;
 - (iii) the achievement rate of sales gross margin is less than 0%; or
 - (iv) the achievement rate of financial gross margin) is less than 0%.

7. GENERAL INFORMATION

The Company

For the information of the Company, please refer to the section headed “I. SHARE TRANSFER AGREEMENT I — 7. GENERAL INFORMATION”.

Li Weiguo

Mr. Li Weiguo is a PRC citizen. As at the date of this announcement, Mr. Li Weiguo holds approximately 57.56% equity interest in Target Company II.

Li Junhong

Mr. Li Junhong is a PRC citizen. As at the date of this announcement, Mr. Li Junhong holds approximately 28.46% equity interest in Target Company II.

Zhou Changbin

Mr. Zhou Changbin is a PRC citizen. As at the date of this announcement, Mr. Zhou Changbin holds approximately 10.25% equity interest in Target Company II.

Qingdao Aolizhiyuan

Qingdao Aolizhiyuan is a limited partnership enterprise established under the laws of the PRC on 7 December 2021, mainly providing business management; business management consulting; information consulting services. As at the date of this announcement, Qingdao Aolizhiyuan is held as to approximately 7.59%, 7.59%, 6.96%, 6.32%, 5.06% and 5.06% by Yao Zhongxu, Ding Feng, Huo Xingguo, Fang Kunfeng, Ma Yong and Li Lu, respectively, the remaining equity is held by 38 natural person shareholders with the shareholding ratio of each natural person shareholder is below 5%. The managing partner of Qingdao Aolizhiyuan is Li Weiguo.

Qingdao Aoliruiyuan

Qingdao Aoliruiyuan is a limited partnership enterprise established under the laws of the PRC on 29 December 2021, mainly providing business management; business management consulting; information consulting services. As at the date of this announcement, Qingdao Aoliruiyuan is held as to approximately 45.35%, 11.34%, 5.67% and 5.67% by Li Weiguo, Ma Hongyan, Song Yandong and Feng Yanfei, Ma Yong and Li Lu, respectively, the remaining equity is held by 19 natural person shareholders with the shareholding ratio of each natural person shareholder is below 5%. The managing partner and ultimate beneficial owner of Qingdao Aoliruiyuan is Li Weiguo.

Target Company II

Target Company II is a company established with limited liabilities under the laws of the PRC on 21 July 2003. It has been committed to providing customers with integrated solutions for Manufacturing Operation Management (MOM), including Product Lifecycle Management (PLM), Manufacturing Execution System (MES), Advanced Planning System (APS), Laboratory Information Management System (LIMS), Quality Management System (QMS), Data Analysis System, Business Intelligence System (BI), Warehouse Management System (WMS).

Immediately prior to and after the equity transfer, the shareholding structure of Target Company II is as follows:

Name of shareholder	Immediately prior to the equity transfer <i>Proportion of shareholding (%)</i>	Immediately following the completion of the equity transfer <i>Proportion of shareholding (%)</i>
The Company	—	51.00
Li Weiguo	57.56	41.17
Li Junhong	28.46	—
Zhou Changbin	10.25	4.10
Qingdao Aolizhiyuan	2.39	2.39
Qingdao Aoliruiyuan	1.34	1.34
Total	100.00	100.00

The below table sets out the unaudited consolidated total assets and net assets of Target Company II as at 31 December 2020 and 31 December 2021:

	As at 31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	6,665	25,011
Net assets	(34,918)	(47,128)

The below table sets out the audited consolidated total revenue and profit of Target Company II for the two financial years ended 31 December 2020 and 31 December 2021:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue	57,737	74,017
Profit/(loss) before income tax expense	(22,786)	(12,210)
Profit/(loss) after income tax expense	(22,786)	(12,210)

8. REASONS AND BENEFITS OF ACQUISITION II

The Company believes that, Target Company II, as a leading provider of integrated solutions for Manufacturing Operation Management (MOM), the center for digital transformation empowerment for the manufacturing and high-end equipment industry in Qingdao and a “specialized, fine, special, new (專、精、特、新)” enterprise in Qingdao, has undertaken a number of national-level intelligent manufacturing pilot demonstration projects and national industrial Internet platform projects, and has accumulated rich experience and software engineering capabilities in 3C/high-tech, panel semiconductor and other manufacturing segments. The Acquisition II will help the Company to acquire the production control software platform scenarios with key value. This will, on the one hand, promote the penetration of the Company’s AI solutions into the core processes of manufacturing business, and realize the substantial upgrading of the information intelligence of the intelligent manufacturing system (AIMS) of the Company; and, on the other hand, will strengthen its industrial understanding and analysis capabilities and continuously promote the development and iteration of industrial software with the organic combination of AI algorithm and automation software in manufacturing operation management system, further enhancing the competitiveness of the Company in the field of intelligent manufacturing.

The Directors (including independent non-executive Directors) have considered and approved the resolution on Share Transfer Agreement II. The Directors are of the opinion that, (i) the Acquisition II is on normal commercial terms or more favourable terms; (ii) the terms and conditions of the Acquisition II are fair and reasonable; and (II) the Acquisition II is in the interest of the Company and the Shareholders as a whole.

9. IMPLICATIONS OF THE LISTING RULES

In accordance with Chapter 14 of the Listing Rules, as the highest applicable percentage ratio in relation to the transactions contemplated under Share Transfer Agreement II exceeds 5% but is less than 25%, the transaction contemplated under Share Transfer Agreement II constitutes a discloseable transaction of the Company and is therefore subject to the announcement requirements but exempt from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

DEFINITION

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

“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 6 February 2018 and converted into a joint stock limited company on 19 May 2021, and its H shares are listed on the Stock Exchange (stock code: 2121)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of our Company
“Group”, “our Group” or “the Group”	the Company and its subsidiaries
“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
“PRC” or “China”	the People’s Republic of China
“Qingdao Aoliruiyuan”	Qingdao Aoliruiyuan Business Management Service Partnership Enterprise (Limited Partnership) (青島奧利睿遠企業管理服務合夥企業 (有限合夥)), a limited partnership enterprise established under the laws of the PRC on 29 December 2021
“Qingdao Aolizhiyuan”	Qingdao Aolizhiyuan Business Management Service Partnership Enterprise (Limited Partnership) (青島奧利志遠企業管理服務合夥企業 (有限合夥)), a limited partnership enterprise established under the laws of the PRC on 7 December 2021
“Shanghai Haochen”	Shanghai Haochen Business Development Partnership Enterprise (Limited Partnership) (上海浩臣企業發展合夥企業 (有限合夥)), a limited partnership enterprise established under the laws of the PRC on 27 October 2017
“Shanghai Xiyao”	Shanghai Xiyao Business Management Consulting Partnership Enterprise (Limited Partnership) (上海翕耀企業管理諮詢合夥企業 (有限合夥)), a limited partnership enterprise established under the laws of the PRC on 25 December 2020

“Share Transfer Agreement I”	the Share Transfer Agreement entered into between the Company and the Vendors I on 20 May 2022, pursuant to which the Company has agreed to conditionally purchase, and the Vendors I have agreed to conditionally sell, an aggregate of 51% interest in Target Company I at the total consideration of RMB153.0 million
“Share Transfer Agreement II”	the Share Transfer Agreement entered into between the Company and Vendors II on 20 May 2022, pursuant to which the Company has agreed to conditionally purchase, and the Vendors II have agreed to conditionally sell, an aggregate of 51% interest in Target Company II at the total consideration of RMB122.4 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company I”	Shanghai Higher Mechanical & Electrical Co., Ltd. (上海浩亞智能科技股份有限公司), a company established with limited liabilities under the laws of the PRC on 21 July 2003
“Target Company II”	Qingdao Aolipu Automation Control System Co., Ltd. (青島奧利普自動化控制系統有限公司), a company established with limited liabilities under the laws of the PRC on 5 February 2010
“Vendors I”	Chen Hong, Liao Lu, and He Li, all being the existing shareholders of Target Company I
“Vendors II”	Li Weiguo, Li Junhong, and Zhou Changbin, all being the existing shareholders of Target Company II

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, 20 May 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*