

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

PROPOSED ADOPTION OF THE DIRECTORS AND MANAGEMENT EQUITY INCENTIVE SCHEME; AND PROPOSED AUTHORISATION TO THE BOARD AND/OR ITS AUTHORISED PERSONS TO HANDLE THE DIRECTORS AND MANAGEMENT EQUITY INCENTIVE SCHEME

INTRODUCTION

The Board has resolved to propose the adoption of the Directors and Management Equity Incentive Scheme at the Board meeting held on 17 December 2022. The Scheme is subject to consideration and approval by the Shareholders at the EGM.

The maximum cap for the Scheme is no more than 25,000,000 H Shares.

IMPLICATIONS OF THE LISTING RULES

The Scheme does not involve the issuance of new Shares or the grant of any options to new securities of the Company. Pursuant to the Scheme, Participants may include the directors of the Group. Proposed granting of Incentives by the Company to the directors of the Group will constitute connected transactions of the Company under Chapter 14A of the Listing Rules and shall, among other things, be subject to approval by independent Shareholders at a general meeting, except as exempted under the Listing Rules. However, as the Incentive Shares are granted to the directors of the Group pursuant to their respective service contracts with the Group and form part of their respective remuneration packages thereunder, the granting of Incentives to the directors of the Group is exempt from the reporting, announcement and independent Shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules.

EGM

An EGM will be convened by the Company to consider and, if thought fit, approve, among other things, matters in relation to (i) the proposed adoption of the Directors and Management Equity Incentive Scheme; and (ii) the proposed authorisation to the Board and/or its authorised persons to handle the Directors and Management Equity Incentive Scheme.

A circular of the Company containing (i) the proposed adoption of the Directors and Management Equity Incentive Scheme; and (ii) the proposed authorisation to the Board and/or its authorised persons to handle the Directors and Management Equity Incentive Scheme; and (iii) the notice of convening the EGM will be dispatched to the Shareholders in due course.

1. PROPOSED ADOPTION OF THE DIRECTORS AND MANAGEMENT EQUITY INCENTIVE SCHEME

The Board has resolved to propose the adoption of the Directors and Management Equity Incentive Scheme at the Board meeting held on 17 December 2022. The Scheme is subject to consideration and approval by the Shareholders at the EGM. The key terms of the Scheme are set out below.

(a) Purpose of the Scheme

The Scheme aims to:

- (i) encourage, motivate and retain Directors and employees who contribute to the Group's continued operation, development and long-term growth to enhance the Company's appeal for new talents; and
- (ii) send positive signals to the market and boost market confidence.

(b) Management of the Scheme

The Scheme shall be managed by:

- (i) the general meeting, the highest organ of the Company responsible for considering and approving the adoption of the Scheme. The general meeting may authorise the Board or its authorised persons to deal with all matters relating to the Scheme within its mandate;
- (ii) the Board, the organ responsible for managing the Scheme under the Scheme Rules and Trust Agreement. The decision of the Board or its authorised persons is final and binding on all relevant personnel. The Board and/or its authorised persons deal with all matters relating to the Scheme within its mandate by the general meeting;

- (iii) the independent non-executive Directors, the supervisory organ of the Scheme responsible for assessing, from the Shareholders' perspective, whether the Scheme is conducive to the sustainable development of the Company or detrimental to the interests of the Company and all Shareholders. In addition, the independent non-executive Directors shall ensure the Scheme is implemented in compliance with the relevant laws, regulations, regulatory documents and business rules of the Hong Kong Stock Exchange; and
- (iv) the Trust established for the purpose of serving the Scheme, pursuant to which, the Trustee, subject to the relevant requirements under the Trust Agreement and the Company's instructions, purchases H Shares not exceeding the Scheme Cap and, for the purposes of the Scheme, performs such matters as vesting and disposal of Incentive Shares as may be directed by the Board or its authorised persons or directed by the Participants through the Company.

(c) Term of the Scheme

Unless terminated early under the Scheme Rules, the Scheme shall have an Incentive term of 10 years from the date of adoption (the "**Incentive Term**"), after which, no Incentives shall be granted, but the Scheme shall continue to be extended until the vesting of such Incentive Shares takes effect, so long as there are any Incentive Shares granted but not vested before the expiry of the Scheme.

(d) Cap for the Scheme

The maximum cap for the Scheme is no more than 25,000,000 H Shares. Save as otherwise specified under the Scheme Rules, no further grant shall be made by the Company which would otherwise result in the total number of H Shares (other than Incentive Shares cancelled under the Scheme) involved in all grants made under the Scheme exceeding the Scheme Cap without the approval of the Shareholders.

(e) Scope of Participants

Employees eligible to participate in the Scheme are management personnel who contribute to the operating results and future development of the Group and comply with laws and regulations and rules of the Group. They include directors (if any) and senior management of the Group (the "**Eligible Employees**"). The Board or its authorised persons may, in accordance with the Company Law, the Securities Law and other applicable laws, regulations, regulatory documents and relevant requirements under the Articles of Association, and in the light of the realities of the Company, from time to time select Participants and, subject to the provisions of the Scheme, grant them Incentives within the Incentive Term in compliance with such terms and conditions of the Incentives as determined by the Board or its authorised persons from time to time.

No person shall become a Participant under the Scheme if he or she:

- (i) has been identified by the competent authorities as an inappropriate candidate for a listed company's equity incentive scheme or similar scheme within the last 12 months;
- (ii) has been punished by the securities regulatory authorities or prohibited from trading of securities for any material violation of laws or regulations within the last 12 months; or
- (iii) is prohibited from serving as a director or the senior management of the company under the Company Law.

(f) Granting Price

The Granting Price of the Incentive Shares under the Scheme is 20% of the closing price of the Company's H Shares on the Granting Date of the Incentive Shares, unless otherwise determined by the Board or its authorised persons or otherwise specified in the Granting Notice approved by them.

(g) Sources of Fund and Incentive Shares

The purchase of H Shares under the Scheme shall be funded initially by the Company and subsequently by Participants with their own funds calculated based on the Granting Price and the number of Incentive Shares granted within five working days from the Granting Date to obtain the Incentive Shares.

Subsequent to approval of the Scheme at the general meeting, the Company shall, in accordance with the decision of the Board or its authorised persons and subject to laws and regulations, remit necessary funds to and direct the Trustee to purchase H Shares at the then prevailing market price or at a specified price/price range.

(h) Vesting of Incentives

Subject to the relevant provisions under the Scheme, vesting of Incentives means that the economic rights and interests of Incentive Shares are in fact vested in Participants. The criteria and conditions of vesting and the vesting period may be determined by the Board or its authorised persons from time to time during the validity period of the Scheme and subject to all applicable laws, regulations and ordinances.

Unless otherwise specified in the Granting Notice approved by the Board or its authorised persons, the vesting date of the Incentive Shares granted under the Scheme is the earlier of (i) the date of the announcement of the Company's annual results with adjusted net profit or loss being positive, or, for the avoidance of doubt, the date of expiry of 12 months from the Granting

Date if less than 12 months have elapsed from the Granting Date to the date of the announcement of the Company's annual results with adjusted net profit or loss being positive; or (ii) the expiry of 36 months from the Granting Date. If the vesting date falls on a non-business day, it shall be the first business day following the suspension or cessation of trading of H Shares.

(i) Voting Rights and Dividends

Neither the Participants nor the Trustee shall exercise any voting rights incidental to any H Shares held by the Trustee under the Trust (including the Incentive Shares vested or not vested). Any dividends on all the Incentive Shares (other than refunded Shares) granted to the Participants shall be attributed to the Participants.

(j) Amendments of the Scheme

Subject to the Scheme Cap, the Scheme may be subject to amendments or supplements in any way as determined by the Board or its authorised persons, but the same shall be notified to the Trustee.

(k) Termination of the Scheme

The Scheme shall terminate on the earlier of (i) the date on which the Incentive Term ends, but for the purpose of continuing to subsist any Incentive Shares granted under the Scheme before the expiry of the Scheme which are granted but not vested therein, the Scheme shall continue to be extended until the vesting of those Incentive Shares takes effect; and (ii) an early termination date as determined by the Board or its authorised persons.

2. PROPOSED AUTHORISATION TO THE BOARD AND/OR ITS AUTHORISED PERSONS TO HANDLE THE DIRECTORS AND MANAGEMENT EQUITY INCENTIVE SCHEME

The Board proposed, upon seeking approval from the Shareholders at the EGM, to grant the following authorisations to the Board and/ or its authorised persons to deal with matters in relation to the Scheme with full authority:

- (i) to interpret the Scheme and formulate specific implementation rules and take necessary measures to implement the Scheme, including but not limited to, establishment of the Trust, examination of the eligibility of the Eligible Employees, determination of the specific Participants, determination of the conditions of the grant, the Granting Date, the Granting Price, and vesting conditions;
- (ii) to determine the Participants, the number of Incentive Shares to be granted, the content and format of Granting Notice, and to grant and vest Incentive Shares to the Participants upon satisfaction of the grant conditions and vesting conditions, and to deal with all matters necessary for the grant and vesting, and to sign with the Participants agreement documents relating to the Incentive(s) on behalf of the Company;

- (iii) to formulate and adjust in its discretion based on the operation and management need of the Company (if necessary), the specific grant conditions, the Granting Price, the vesting schedule, vesting conditions, vesting periods and expiration conditions of the Incentive Shares, to examine and verify whether the Company and the Participants have satisfied the grant and vesting conditions or expiration conditions of the Incentive Shares, and to handle all matters necessary for the grant, vesting or expiration for the Participants, including the handling of expired Incentive Shares;
- (iv) to adjust the Scheme Cap, the price of Incentive(s) or the number of Incentive Shares, or to accelerate vesting of the Incentive Shares upon conversion of capital reserve into Shares, issuance of bonus Shares, Shares subdivisions, Shares consolidation, Shares placing or rights issue, change in control, voluntary winding-up, a compromise or debt repayment arrangement or issuance of additional Shares;
- (v) to handle the matters in relation to the Incentive(s) if special circumstances stated under the Scheme, such as resignation, dismissal, retirement, work adjustment, incapacity to work or death occurs to the Participants;
- (vi) to adjust the Incentive Shares waived by the Participants to the reserved portion, and to adjust the number of Incentive Shares granted or advance the vesting date of any Incentive(s) in accordance with the Scheme Rules;
- (vii) to set up or adjust the disposal period of Incentive Shares, and during which, accept the instructions from the Participants to dispose a part of or all Incentive Shares, and subject to the relevant laws and regulations, to instruct the Trustee to dispose the corresponding Shares of the Company;
- (viii) to determine the adjustments, suspension and termination of the Scheme and obtain any approvals from the general meeting and/or the relevant regulatory authorities necessary for such adjustments as required by laws, regulations or requirements of the relevant regulatory authorities;
- (ix) to handle procedures (if any), such as approval, registration, filing, verification and consent, from the relevant governments and institutions in respect of the Scheme; to sign, implement, amend and complete the documents submitted to relevant governments, authorities, organizations and individuals; and to take all actions as it deems necessary, appropriate or advisable in connection with the Scheme;
- (x) to sign, execute, modify and terminate all documents in relation to the Scheme, to handle all procedures in relation to the Scheme and conduct all relative actions as it considers to be necessary, expedient or appropriate for the effectiveness of the Scheme;
- (xi) to engage the Trustee, bank, accountant, solicitor, advisor and other professional institutions for the Scheme;

(xii) to determine all matters in respect of the Trust Agreement and sign the Trust Agreement on behalf of the Company; to determine the investment scope and targets of the Trust property; and

(xiii) to manage and implement other matters necessary for the implementation of the Scheme.

3. IMPLICATIONS OF THE LISTING RULES

The Scheme does not involve the issuance of new Shares or the grant of any options to new securities of the Company. Pursuant to the Scheme, Participants may include the directors of the Group. Proposed granting of Incentives by the Company to the directors of the Group will constitute connected transactions of the Company under Chapter 14A of the Listing Rules and shall, among other things, be subject to approval by independent Shareholders at a general meeting, except as exempted under the Listing Rules. However, as the Incentive Shares are granted to the directors of the Group pursuant to their respective service contracts with the Group and form part of their respective remuneration packages thereunder, the granting of Incentives to the directors of the Group is exempt from the reporting, announcement and independent Shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules.

4. PUBLIC FLOAT

The Company shall take appropriate measures to ensure compliance with the public float requirements as stipulated in the Listing Rules and/or as required by the Hong Kong Stock Exchange from time to time.

5. EGM

An EGM will be convened by the Company to consider and, if thought fit, approve, among other things, matters in relation to (i) the proposed adoption of the Directors and Management Equity Incentive Scheme; and (ii) the proposed authorisation to the Board and/or its authorised persons to handle the Directors and Management Equity Incentive Scheme.

A circular of the Company containing (i) the proposed adoption of the Directors and Management Equity Incentive Scheme; (ii) the proposed authorisation to the Board and/or its authorised persons to handle the Directors and Management Equity Incentive Scheme; and (iii) the notice of convening the EGM will be dispatched to the Shareholders in due course.

Definition

“Adjusted net loss and profit”	has the same meaning of adjusted net loss and profit/adjusted net loss/adjusted net profit as definite in the annual results announcements published by the Company from time to time
“Articles of Association”	the articles of association of the Company
“authorised person(s)”	person(s) authorised by the Board
“Board”	the board of directors of the Company
“Company”	Qingdao AInnovation Technology Group Co., Ltd, a limited liability company established under the laws of the PRC on 6 February 2018 and converted into a joint stock company with limited liability on 19 May 2021, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2121)
“Company Law”	the Company Law of the People’s Republic of China, as amended and supplemented from time to time
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Directors and Management Equity Incentive Scheme” or “Scheme”	the H Share equity incentive scheme for directors and senior management in 2023 of Qingdao AInnovation Technology Group Co., Ltd to be adopted by the Company
“EGM”	the Company’s extraordinary general meeting or any adjournment thereof to be held for the issues contained herein
“Granting Date”	the date on which Participants are granted Incentives
“Granting Notice”	a granting notice to be issued, from time to time, by the Company to each of the Participants in such form as determined by the Board or its authorised persons, which specifies the Granting Date, the Granting Price, the manner in which the Incentives are to be received, the number of Shares under the Incentives, the vesting conditions, the vesting date and such other details, terms and conditions as the Board or its authorised persons consider necessary and in compliance with the Scheme
“Granting Price”	20% of the closing price of the Company’s H Shares on the Granting Date of the Incentive Shares, unless otherwise determined by the Board or its authorised persons or otherwise specified in the Granting Notice approved by the Board or its authorised persons

“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive(s)”	incentive(s) granted by the Board to the Participants and vested by way of Incentive Shares under the Scheme Rules by the Board
“Incentive Shares”	H Shares to be granted to Participants
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended and supplemented from time to time
“Participant(s)”	selected participants in the Directors and Management Equity Incentive Scheme
“PRC”	the People’s Republic of China, but for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Cap”	the maximum size of the Directors and Management Equity Incentive Scheme, i.e. no more than 25,000,000 H Shares
“Scheme Rules”	the rules governing the Directors and Management Equity Incentive Scheme, as may be amended from time to time
“Securities Law”	the Securities Law of the People’s Republic of China, as amended and supplemented from time to time
“Shareholder(s)”	holder(s) of Shares
“Shares”	H Shares
“Trust”	the trust under the Trust Agreement that serves the Directors and Management Equity Incentive Scheme
“Trust Agreement”	the trust agreement between the Company and the Trustee, as may be restated, supplemented and amended from time to time

“Trustee”

the trustee appointed by the Company for the purpose of Trust, which is an independent third party of the Company

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, 17 December 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. Wang Jinqiao 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*