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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares of 360 Ludashi Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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360 LUDASHI HOLDINGS LIMITED

360 魯大師控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3601)

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used in this cover page shall have the same meanings as defined in this circular unless otherwise specified.

A notice convening the EGM of the Company to be held on Tuesday, 28 December 2021 at 11:00 a.m. at the conference room of the Company, 11/F, 11-24 Tianfu Software Site E1, 1268 Tianfu Avenue, High-tech Zone, Chengdu, Sichuan Province, PRC is set out on pages EGM-1 to EGM-2 of this circular and a form of proxy for the EGM is despatched together with this circular. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment meeting (as the case may be). The completion of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish, and in such case, the authority of your proxy will be revoked.

7 December 2021

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DEFINITIONS

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

“360”	360 Security Technology Inc. (三六零安全科技股份有限公司), a joint stock company with limited liability established in the PRC, whose shares are listed on the Shanghai Stock Exchange (上海證券交易所) (stock code of 601360), and one of the controlling shareholders of the Company
“360 Group”	360 and its subsidiaries
“360 Master Purchase Agreement 2022-2024”	the master agreement dated 2 November 2021 entered into between the Company and 360 Technology in relation to the provision of server leasing services, Game Traffic Services, Advertising Traffic Services and other Internet services by 360 Group to the Group
“360 Master Sales Agreement 2022-2024”	the master agreement dated 2 November 2021 entered into between the Company and 360 Technology in relation to the provision of online traffic monetization services by the Group to 360 Group
“360 Technology”	360 Technology Group Co., Ltd.* (三六零科技集團有限公司), a limited liability company established in the PRC and directly wholly-owned by 360. As at the date of the Latest Practicable Date, 360 Technology, through its direct wholly-owned subsidiary, True Thrive, is holding 82,745,082 Shares, representing approximately 30.76% of the total issued share capital of the Company. 360 Technology is one of the controlling shareholders of the Company
“Advertising Traffic Services”	advertising traffic services including homepage directing services, mini-page advertising services, banner advertising services and others for online advertising business, a type of online traffic monetization service
“Announcement”	the announcement of the Company dated 2 November 2021
“Annual Caps”	the maximum aggregate annual value for the continuing connected transactions under the 360 Master Sales Agreement 2022-2024 for each of the three years ending 31 December 2024
“App(s)”	the mobile Internet application(s)
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

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“Chengdu Qilu”	Chengdu Qilu Technology Company Limited* (成都奇魯科技有限公司), a limited liability company established in the PRC and is deemed to be a wholly-owned subsidiary of the Company pursuant to the Contractual Arrangements
“Chengdu Qilu Shareholder Rights Entrustment Agreement”	the agreement dated 15 January 2018 and taking effect from 29 December 2016 among Mr. Tian Ye, Qihu Technology and Chengdu Qilu, pursuant to which Mr. Tian Ye is entrusted by Qihu Technology to exercise all of Qihu Technology’s rights as a shareholder of Chengdu Qilu (including but not limited to Qihu Technology’s voting power at general meetings of Chengdu Qilu)
“Company”	360 Ludashi Holdings Limited (360魯大師控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 3601)
“Company Shareholder Rights Entrustment Agreement”	the agreement dated and taking effect on 4 September 2018 between Dashi Technology and True Thrive, pursuant to which Dashi Technology is entrusted by True Thrive to exercise all of True Thrive’s rights as a Shareholder (including but not limited to True Thrive’s voting power at general meetings of the Company)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transactions”	the continuing connected transactions as contemplated under the 360 Master Sales Agreement 2022-2024
“Contractual Arrangements”	a series of contractual arrangements entered into among Chengdu Anyixun Technology Company Limited* (成都安易迅科技有限公司), Chengdu Qilu and the registered shareholders of Chengdu Qilu, i.e. Beijing Qihu Technology Company Limited* (北京奇虎科技有限公司), Mr. Tian Ye, Shanghai Songheng and Chengdu Qilu Haochen Enterprise Management Consulting Company Limited* (成都奇魯昊宸企業管理諮詢有限公司)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“cost-per-active”	an online advertising pricing model, which is recorded according to the amount of newly activated users
“cost-per-click”	an online advertising pricing model, which is recorded according to the amount of click
“cost-per-download”	an online advertising pricing model, which is recorded according to the amount of download volumes

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“cost-per-mille”	an online advertising pricing model, which is recorded according to the number of impressions (expressed in thousands)
“cost-per-thousand IP times”	an online advertising pricing model, which is recorded according to the amount of IP directed (expressed in thousands)
“cost-per-time”	an online advertising pricing model, which is recorded according to the length of duration
“Dashi Technology”	Dashi Technology Holdings Limited (大師控股有限公司), a company incorporated in the British Virgin Islands with limited liability and directly wholly owned by Mr. Tian Ye, one of the Company’s controlling shareholders
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Tuesday, 28 December 2021 at 11:00 a.m. at the conference room of the Company, 11/F, 11-24 Tianfu Software Site E1, 1268 Tianfu Avenue, High-tech Zone, Chengdu, Sichuan Province, PRC to consider and, if appropriate, to approve the resolution contained in the notice of meeting which is set out on pages EGM-1 to EGM-2 of this circular, or any adjournment thereof
“Entrustment Arrangements”	the entrustment arrangements under the Company Shareholder Rights Entrustment Agreement and the Chengdu Qilu Shareholder Rights Entrustment Agreement in relation to the shareholder rights of True Thrive in the Company in favour of Dashi Technology and the shareholder rights of Qihu Technology in Chengdu Qilu in favour of Mr. Tian Ye, respectively, details of which are set out in the paragraph headed “History, Reorganization and Corporate Structure – Entrustment Arrangements” in the prospectus of the Company dated 26 September 2019
“Exempted Continuing Connected Transactions”	the transactions between the Group and the connected persons of the Company as contemplated under the 360 Master Purchase Agreement 2022-2024 and the Songheng Master Sales Agreement 2022-2024
“Game Traffic Services”	online traffic directing services that generate online user traffic by exhibiting the online games on the game platforms operated by the service provider, a type of online traffic monetization service
“Gross Billing”	total amount paid by online game players during a given period of time for purchase of virtual items through a game platform

DEFINITIONS

“Group”	the Company, its subsidiaries and the PRC Operating Entities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely Mr. Li Yang, Mr. Wang Xinyu and Mr. Zhang Ziyu, formed to advise the Independent Shareholders in relation to the 360 Master Sales Agreement 2022-2024, the continuing connected transactions contemplated thereunder and the Annual Caps
“Independent Financial Adviser”	Fortune Financial Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 360 Master Sales Agreement 2022-2024, the continuing connected transactions contemplated thereunder and the Annual Caps
“Independent Shareholders”	the Shareholders other than True Thrive, Dashi Technology and their respective associates
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“IP”	internet protocol
“Latest Practicable Date”	1 December 2021, being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liu Liuyou Technology”	Tianjin Liu Liuyou Technology Company Limited* (天津六六遊科技有限公司), a limited liability company established in the PRC and is deemed to be a non-wholly owned subsidiary of the Company pursuant to the Contractual Arrangements
“Ludashi Software”	hardware and system benchmarking and monitoring software and App operated by the Group

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Operating Entities”	collectively, Chengdu Qilu and Liu Liuyou Technology (and “PRC Operating Entity” means any of them), the financial results of which have been consolidated and accounted for as the subsidiaries of the Company by virtue of the Contractual Arrangements
“Qihu Technology”	Beijing Qihu Technology Company Limited* (北京奇虎科技有限公司), a limited liability company established in the PRC, and directly wholly owned by 360 Technology, one of the Company’s controlling shareholders
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Songheng”	Shanghai Songheng Network Technology Company Limited* (上海嵩恒網絡科技股份有限公司) (formerly known as Shanghai Songheng Network Technology Company Limited* (上海嵩恒網絡科技股份有限公司)), a limited liability company established in the PRC on 18 March 2014, which is controlled by Shanghai Dongfangwang Company Limited* (上海東方網股份有限公司) which directly and indirectly through its subsidiary held approximately 34.3566% of Shanghai Songheng. As at the date of the Latest Practicable Date, Shanghai Songheng, through its indirect wholly-owned subsidiary, Songchang International Limited, is holding 47,282,819 Shares of the Company, representing approximately 17.58% of the total issued share capital of the Company. Shanghai Songheng is a substantial Shareholder of the Company
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Songheng Group”	Shanghai Songheng and its subsidiaries
“Songheng Master Sales Agreement 2022-2024”	the master agreement dated 2 November 2021 entered into between the Company and Shanghai Songheng in relation to the provision of online traffic monetization services by the Group to Songheng Group

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“True Thrive”	True Thrive Limited (誠盛有限公司), a limited liability company incorporated in the Cayman Islands, wholly owned by 360 Technology, and one of the Company’s controlling shareholders
“%”	per cent

* *For identification purposes only*

LETTER FROM THE BOARD



360 LUDASHI HOLDINGS LIMITED

360 魯大師控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3601)

LR 2.14 *Executive Directors:*

Mr. Tian Ye (Chairman)

Mr. He Shiwei

Non-executive Directors:

Mr. Sun Chunfeng

Mr. Liu Wei

Mr. Zhao Dan

Independent non-executive Directors:

Mr. Li Yang

Mr. Wang Xinyu

Mr. Zhang Ziyu

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre

248 Queen's Road East

Wanchai, Hong Kong

Headquarters and principal place of business in the PRC

11/F, 11-24 Tianfu Software Site E1

1268 Tianfu Avenue, High-tech Zone

Chengdu, Sichuan Province

PRC

7 December 2021

To the Shareholders,

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to the entering into of the 360 Master Sales Agreement 2022-2024 with 360 Technology and the Annual Caps, which are subject to the reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

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The purpose of this circular is to provide you with (i) further information on the details of the 360 Master Sales Agreement 2022-2024 and the Annual Caps; (ii) the letter from the Independent Board Committee which contains its recommendation to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser which contains its recommendation to the Independent Board Committee and the Independent Shareholders; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM to the Shareholders on convening the EGM.

CONTINUING CONNECTED TRANSACTIONS AND THE ANNUAL CAPS

Provision of online traffic monetization services to 360 Group

As stated in the Announcement, the Company and 360 Technology have entered into a master agreement dated 18 September 2019 for the provision of online traffic monetization services by the Group to 360 Group, which validity of such agreement will expire on 31 December 2021. During the period of the master agreement, the Group provided (i) the Game Traffic Services whereby 360 Group would place its online games on the game platforms operated by the Group; and (ii) the Advertising Traffic Services, principally included homepage directing services and to a lesser extent banner advertising services to 360 Group. As such, the 360 Master Sales Agreement 2022-2024 was entered into to renew such continuing connected transactions for a further term of three years commencing from 1 January 2022 and ending on 31 December 2024.

Set out below is a summary of the principal terms of the 360 Master Sales Agreement 2022-2024:

Date:	2 November 2021
Parties:	(i) the Company; and (ii) 360 Technology.
Term:	Three years commencing from 1 January 2022 to 31 December 2024
Nature of transactions:	Pursuant to the 360 Master Sales Agreement 2022-2024, the Group has agreed to provide online traffic monetization services to 360 Group.
Consideration:	In respect of Game Traffic Services, the fees in the form of commission payable by 360 Group shall be calculated based on an agreed fixed rate over the Gross Billing generated from all the online games of 360 Group launched on the game platforms operated by the Group, which agreed fixed rate is determined after arm's length negotiations with reference to prevailing market price determined in accordance with the pricing policy from time to time.

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In respect of Advertising Traffic Services, the fees payable by 360 Group shall be charged on a pricing mechanism based on cost-per-thousand IP times, cost-per-mille, cost-per-time, cost-per-click and cost-per-download and cost-per-active bases in accordance with the online traffic volume at the standard charging rate of the Group for different devices, determined after arm's length negotiations with reference to prevailing market price determined in accordance with the pricing policy from time to time.

Annual Caps:

The parties have agreed that the annual transaction amount for the provision of online traffic monetization services (including Game Traffic Services and Advertising Traffic Services) under the 360 Master Sales Agreement 2022-2024 shall not exceed the following Annual Caps:

For the year ending 31 December	Annual Cap (RMB' 000)
2022	135,000
2023	135,000
2024	135,000

Existing annual caps for the provision of Game Traffic Services and Advertising Traffic Services to 360 Group

The existing annual caps for the provision of Game Traffic Services and Advertising Traffic Services to 360 Group for the three years ending 31 December 2021 are as follows:

For the year ended/ending 31 December	Existing annual cap (RMB' 000)	Actual transaction amount (RMB' 000)
2019	103,500	92,200
2020	122,500	94,800
2021 (up till 30 September 2021)	142,100	39,965

The Directors confirmed that the existing annual cap for the provision of Game Traffic Services and Advertising Traffic Services to 360 Group for the year ending 31 December 2021 has not been exceeded up to the Latest Practicable Date.

LETTER FROM THE BOARD

Basis of the Annual Caps for the 360 Master Sales Agreement 2022-2024

The Annual Caps for the three years ending 31 December 2024 were determined with reference to:

- (i) the historical actual transaction amount for the provision of Game Traffic Services and Advertising Traffic Services to 360 Group for the two years ended 31 December 2020 and the nine months ended 30 September 2021, which included the negative impacts of COVID-19 pandemic on consumer spending since the outbreak of COVID-19;
- (ii) the projected demand from 360 Group for the Game Traffic Services, having regard to:
 - (a) the number of games historically placed by 360 Group on the game platforms operated by the Group in the three years ended 31 December 2020 and the nine months ended 30 September 2021 of two games, eight games, nine games and twelve games, respectively, which is expected to be on a growing trend in terms of the number of games to be placed by 360 Group on the Group's game platforms;
 - (b) the estimated gradual growth of Gross Billings from the games placed and to be placed by 360 Group on the Group's game platforms in the three years ending 31 December 2024, as more games will be placed by 360 Group on our game platforms and on the basis of continuous improvement of the COVID-19 situation in the PRC, hence it is expected that game players will be more willing to purchase virtual items even though Gross Billings from such games in the three years ending 31 December 2024 may not reach pre-COVID-19 levels;
 - (c) the expectation that the Group's online games business will continue to expand as consumer patterns have witnessed an upsurge on spending more time on entertainment through computers and other mobile devices; and
 - (d) the expectation that the COVID-19 situation in the PRC will continue to improve, reducing the negative impact on the Group's Game Traffic Services business and available capacity; and
- (iii) the projected demand from 360 Group for Advertising Traffic Services, having regard to:
 - (a) the provision of homepage directing services to 360 Group by the Group since 2015, which is expected to continue;
 - (b) the estimated gradual rebound of revenue from the provision of homepage directing services as advertisers will likely have more advertising budgets with the continuous improvement of the COVID-19 situation and its impact on consumer appetite in the PRC;

LETTER FROM THE BOARD

- (c) the planned extension of new Advertising Traffic Services such as mini-page advertising and lockscreen advertising to 360 Group due to the Group's large user base; and
- (d) the continuous updates and development of the Group's products so as to enhance the brand awareness of the Ludashi products and to capture and expand its user base.

Pricing policy

The fees payable by 360 Group for Game Traffic Services and Advertising Traffic Services shall be determined in accordance with the following general principles and sequence, but shall not be more favourable than the price offered by the Group to Independent Third Party customers for the comparable services:

- (i) where there is a government-prescribed price or government-guidance price, with reference to the government-prescribed price or government-guidance price;
- (ii) where there is neither government-prescribed price nor government-guidance price, the prevailing market price; or
- (iii) where none of the aforesaid is available, the price determined after arm's length negotiations and in accordance with normal commercial terms.

Given that the services provided by the Group are not subject to any government-prescribed price or government-guidance price, in this connection, the fees charged by the Group to 360 Group for Advertising Traffic Services and Game Traffic Services are determined with reference to the general principles (ii) and (iii) above as elaborated below:

Game Traffic Services

For Game Traffic Services, the fees in the form of commission payable by 360 Group are calculated at the rate of 70% over the Gross Billing to be generated from their online games which are launched on the game platforms operated by the Group, which agreed fixed rate is comparable to those charged by the Group to other Independent Third Party customers for similar services. The agreed fixed rate is determined having regards to (i) credit evaluation of the customer in terms of size, reputation and industry of the customer involved; (ii) historical transactions creditability (in terms of monetary value and quantity of usage); (iii) the level of impression or popularity of the online games of the customer on the online game platforms operated by the Group; (iv) the prevailing market rate and industry practice for similar services offered in the market as charged by other online game platforms service providers; and (v) the potential future business opportunities with the customer. Gross Billing is the total amount paid by online game players for the purchase of virtual items in the online games of 360 Group through the Group's online game platforms.

Advertising Traffic Services

Advertising Traffic Services to be provided by the Group to 360 Group under the 360 Master Sales Agreement 2022-2024 comprise (i) homepage directing services; and (ii) banner advertising, mini-page advertising and lockscreen advertising, the fees of which shall be charged to 360 Group on the basis of cost-

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per-thousand IP times, cost-per-mille, cost-per-time, cost-per-click, cost-per-download and cost-per-active in accordance with the online traffic volume at the standard charging rate of the Group for different devices as follows:

Homepage directing services

For homepage directing services of the Advertising Traffic Services, the fees payable by 360 Group under the 360 Master Sales Agreement 2022-2024 will be charged on a progressive pricing mechanism on the basis of cost-per-thousand IP times at the fixed standard charging rate in the range of RMB60/thousand IP to RMB90/thousand IP, depending on the daily volume of online traffic by adding up the number of every distinctive IPs that have been successfully directed to the customer's homepage. Such progressing pricing mechanism and the standard charging rate of the Group are fixed with reference to the prevailing market rate and industry practice for similar services offered in the market as charged by other homepage directing service providers. The same pricing mechanism is applicable to all Independent Third Party customers of the Group.

The same pricing mechanism as that is adopted by the Group is also adopted by 360 Group as published on 360 Group's website, which is also applicable to all homepage directing service providers of 360 Group and is accessible to all Internet users, and is comparable to those charged by the Group on Independent Third Party customers for similar services. The fees to be paid by 360 Group to the Group will be calculated using the above pricing mechanism, which will be accumulated and billed by the Group at the end of every month. As there are many service providers of homepage directing services and the PRC market for homepage directing services is fragmented, the prices for homepage directing services are generally determined by the buyers of such services and the current prevailing market rate for the fixed charging rate based on the Company's research as at the Latest Practicable Date is generally within the range of RMB50/thousand IP to RMB90/thousand IP.

Banner advertising, mini-page advertising and lockscreen advertising

For mini-page services and lockscreen advertising services of the Group's Advertising Traffic Services, the fees payable by 360 Group under the 360 Master Sales Agreement 2022-2024 will be charged on the basis of cost-per-mille at the standard charging rate of ranging from RMB1 to RMB4. For the banner advertising services of the Group's Advertising Traffic Services, the fees payable by 360 Group under the 360 Master Sales Agreement 2022-2024 will be charged on a pricing mechanism based on the following bases:

- (i) cost-per-time at the standard charging rate of RMB1,000/per day to RMB50,000/per day on mobile devices ends or RMB30,000/per month to RMB50,000/per month on PC ends;
- (ii) cost-per-click at the standard charging rate of RMB0.2/per click to RMB0.5/per click on mobile devices ends or RMB0.3/per click on PC ends;
- (iii) cost-per-download at the standard charging rate of RMB1/per download to RMB10/download on mobile devices ends;

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- (iv) cost-per-active at the standard charging rate of RMB2/per active to RMB20/per active on mobile devices ends or RMB0.3/per active to RMB2/per active on PC ends; and
- (v) cost-per-mille at the standard charging rate of RMB5/per mille to RMB1,000/per mille on mobile devices ends,

depending on the daily volume of online traffic by adding up the quantity of advertisements displayed on the device and the amount of online user traffic and specific performance, as the case may be, created by the Group's banner advertising services. Such pricing mechanism and the standard charging rate for banner, mini-page and lockpage advertising services of the Group are fixed with reference to the prevailing market rate and industry practice for similar services offered in the market as charged by other banner, mini-page and lockscreen advertising service providers. The same pricing mechanism is applicable to all Independent Third Party customers of the Group. The same pricing mechanism as that is adopted by the Group is also adopted by 360 Group, which may be reset from time to time based on the prevailing market conditions, and such uniform pricing mechanism is applicable to all service providers of 360 Group. The fees to be paid by 360 Group to the Group will be calculated using the above pricing mechanism, which will be accumulated and billed by the Group at the end of every month. The current prevailing market rate for the charging rate as charged by other banner advertising, mini-page advertising and lockscreen advertising service provider for similar services based on the Company's research as at the Latest Practicable Date was generally within the range of RMB1 to 1,000/per mille, RMB80 to 50,000/per day, RMB0.1 to 5/per click, RMB1 to RMB10/per download and RMB0.3 to RMB30/per active. These rates were prevailing market rates as the Latest Practicable Date, which may be adjusted according to prevailing market conditions.

Reasons for and benefits of the 360 Master Sales Agreement 2022-2024

The Group has been providing online traffic monetization services, including Advertising Traffic Services and Game Traffic Services in the ordinary course of business of the Group to 360 Group since 2015.

As 360 Group is one of the largest suppliers in the PRC for Internet securities products and services and also develops and distributes online games with a large active user base, 360 Group requires online traffic monetization services from service providers, such as the Group, to provide Advertising Traffic Services and Game Traffic Services for its games and products to further acquire more users and further expand its business. The 360 Master Sales Agreement 2022-2024 will enable the Group to achieve greater synergies with 360 Group.

The Directors (including the independent non-executive Directors whose view is set out in "Letter from the Independent Board Committee" of this circular after taking into account the advice of the Independent Financial Adviser, but excluding Mr. Tian Ye, Mr. Liu Wei and Mr. Zhao Dan who are interested in the 360 Master Sales Agreement 2022-2024) are of the view that the terms of the 360 Master Sales Agreement 2022-2024 have been negotiated and arrived at on an arms-length basis and in the ordinary and usual course of business of the Group and on normal commercial terms between the Group and 360 Group and/or its associates, are fair and reasonable, and in the interest of the Company and the Shareholders as a whole in line with, and with reference to, the industry practice and prevailing market prices. The Directors, including the independent non-executive Directors consider that (i) the continuing connected

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transactions contemplated under the 360 Master Sales Agreement 2022-2024; and (ii) the proposed Annual Caps for the three years ending 31 December 2024 under the 360 Master Sales Agreement 2022-2024 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

As a general principle, the price and terms of the individual agreements in respect of the 360 Master Sales Agreement 2022-2024 will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis, on similar basis as the Group transacts business with other independent customers and shall be on terms which are no less favourable to the Group than those offered to other independent customers.

To ensure that all the continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole, and the annual caps under the 360 Master Sales Agreement 2022-2024 will not exceed the Annual Caps, the Group has adopted the following internal control measures:

- (i) before entering into individual service agreements contemplated under the continuing connected transactions, the sales department or the project team will be responsible for preparing the relevant agreements in accordance with the Group's management systems on connected transaction, so as to ensure that the standard charging price conforms to the prevailing market rate and industry practice. The sales department or the project team will review the pricing on a yearly basis before the end of each year, and make adjustments to the standard charging price if required. In the event that there has been significant changes in the market conditions, the standard charging price will be adjusted accordingly to reflect such changes in the market;
- (ii) the Group's finance department headed by the chief financial officer is responsible to conduct a yearly review on the pricing mechanism for the transactions under the 360 Master Sales Agreement to ensure that the prices are determined in accordance with the pricing policies adopted by the Group on normal commercial terms, the chief financial officer will report to the Board, the audit committee of the Board and the independent non-executive Directors at the end of each review period;
- (iii) all individual service agreements contemplated under the continuing connected transactions must be entered into in the first quarter of each financial year and will be entered into prior to the provision or procurement of such services. The Group's finance department headed by the chief financial officer is responsible to review the pricing mechanism for the transactions under the 360 Master Sales Agreement 2022-2024 to ensure that the prices charged for a specific transaction are fair and reasonable and are determined in accordance with the applicable pricing policy and on normal commercial terms. The terms of the agreements and the prices will be reviewed and countersigned by the Group's finance and legal departments and office of the Board to ensure that they are determined in accordance with the pricing policies and do not exceed the Annual Caps, and such information will be cross-checked by the Group's chief financial officer before the agreements will be approved by the Board, the audit committee of the Board and the independent non-executive Directors;

LETTER FROM THE BOARD

- (iv) the chief financial officer of the Group will be responsible to monitor the transaction amount of all the connected transaction agreements individually and collectively on a monthly basis to ensure that on a standalone basis and an aggregate basis, they would comply with the Listing Rules and will not exceed the Annual Caps. The finance department will report to the Board on a half yearly basis regarding the amounts conducted during the period and the estimated amount in the following six months to facilitate the Board to monitor the actual amount of transaction amount, assess whether the Annual Caps will be exceeded. In the event that the annual caps are exceeded, the Group shall enter into supplemental agreement with the relevant connected persons to agree on the revised annual caps and comply with the relevant requirements of the Listing Rules prior to the entering into further transactions with the connected persons in this regard;
- (v) the independent non-executive Directors will continue to review the transactions contemplated under the 360 Master Sales Agreement 2022-2024 and the auditors of the Company will also conduct an annual review on the pricing terms and annual caps thereof; and
- (vi) any Directors related to 360 Group shall abstain from voting on the relevant Board resolutions in relation to such continuing connected transactions.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the 360 Master Sales Agreement 2022-2024 have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

PRICING POLICIES OF THE EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement in relation to entering into of the 360 Master Purchase Agreement 2022-2024 and the Songheng Master Sales Agreement 2022-2024, which are Exempted Continuing Connected Transactions subject to reporting, announcement, annual review requirements but exempt from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board would like to supplement the pricing policies of the 360 Master Purchase Agreement 2022-2024 and the Songheng Master Sales Agreement 2022-2024 as follows:

360 Master Purchase Agreement 2022-2024

The services to be procured by the Group from 360 Group under the 360 Master Purchase Agreement 2022-2024 comprise (i) the server leasing services; (ii) the Game Traffic Services; and (iii) the Advertising Traffic Services and other Internet services. The fees payable by the Group to 360 Group will be determined after arm's length negotiations with reference to prevailing market price determined in accordance with the pricing policy from time to time. In any event, the fees payable by the Group to 360 Group shall not be more favourable than the price offered by Independent Third Party service providers for comparable services.

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Server leasing services

For server leasing services to be procured by the Group from 360 Group, the price payable to 360 Group will be determined based on the number of servers to be leased, traffic or bandwidth volume and storage space volume, with reference to the prevailing market price for the same server leasing services that can be obtained from Independent Third Party service providers on normal commercial terms. For the purpose of determining market prices, the Group obtained quotations from at least two other Independent Third Party service providers for server leasing services based on similar number of devices, traffic volume, storage space volume involved and quality of services.

Other factors that the Group considered included: (i) the brand, and hardware specifications such as processor, memory and storage capacity of the proposed servers listed on the quotations; (ii) the proposed bandwidth, reliability, security and backup systems of the relevant servers; (iii) the cost of and the possible interruptions that maybe caused by migrating the current servers of the Group from 360 Group to a new service providers.

Game Traffic Services

For Game Traffic Services, the fees in the form of commission payable by the Group are calculated at the rate of 70% over of the Gross Billing to be generated from the online games of the Group which are launched on the game platforms operated by 360 Group, which agreed fixed rate is comparable to those charged by other Independent Third Party service providers to the Group for similar services. The agreed fixed rate is determined having regards to (i) credit evaluation by 360 Group on the Group in terms of size, reputation and industry; (ii) historical transactions creditability (in terms of monetary value and quantity of usage); (iii) the level of impression or popularity of the online games of the Group on the online game platform operated by 360 Group; (iv) the prevailing market rate and industry practice for similar services offered in the market as charged by other online game platform service providers; and (v) the potential future business opportunities with the service provider. Gross Billing is the total amount paid by online game players for the purchase of virtual items in the online games of the Group through 360 Group's online game platforms.

Advertising Traffic Services and other Internet services

For Advertising Traffic Services and other Internet services to be procured from 360 Group, the fees payable by the Group to 360 Group under the 360 Master Purchase Agreement 2022-2024 will be charged on a pricing mechanism based on the following bases:

- (i) cost-per-time at the standard charging rate of RMB80/per day to RMB13,500/per day on PC ends; and
- (ii) cost-per-click at the standard charging rate of RMB6/per click to RMB25/per click on PC ends,

depending on the daily volume of traffic by adding up the quantity of advertisements displayed on the device and the amount of online user traffic and specific performance, as the case may be, created by 360 Group's banner advertising services. The charging rates on cost-per-time and cost-per-click bases for the banner advertising services to be procured by the Group from 360 Group, which are for the Group's online

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games, are higher than those charged by the Group on 360 Group for banner advertising services, which are placed in non-game related software of the Group. The target audience of such non-game related software of the Group includes users of the Group's 360 Battery Doctor (360省電王) and Ludashi Software (PC version), while the banner advertisements to be placed with 360 Group will be targeting towards online game users. The charging rates for advertisements with online game users as the target audience are generally higher than those for non-game related software. Such pricing mechanism and the standard charging rate for the Advertising Traffic Services and other Internet services of 360 Group are determined with reference to the prevailing market rate and industry practice for similar services offered in the market as charged by other Advertising Traffic Services and other Internet services service providers. The same pricing mechanism is applicable to all Independent Third Party customers of 360 Group, which may be reset by 360 Group from time to time based on the prevailing market conditions. The fees to be paid by the Group to 360 Group will be calculated using the above pricing mechanism, which will be accumulated and billed by 360 Group at the end of every month. The current prevailing market rate for the fixed charging rate as charged by other Advertising Traffic services and other Internet services service providers for similar services based on the Company's research as at the Latest practicable Date was generally within the range of RMB80 to 13,500/per day and RMB6 to 25/per click. These rates were prevailing market rates as the Latest Practicable Date, which may be adjusted according to prevailing market conditions.

Songheng Master Sales Agreement 2022-2024

Pursuant to the Songheng Master Sales Agreement 2022-2024, the Group will provide the Advertising Traffic Services comprising online advertising services covering banner and mini-page advertising services to Songheng Group. For mini-page advertising services of the Group's Advertising Traffic Services, the fees payable by Songheng Group under the Songheng Master Sales Agreement 2022-2024 will be charged on the basis of cost-per-mille at a fixed standard charging rate ranging from of RMB1 to RMB4. For the banner advertising services of the Group's Advertising Traffic Services, the fee payable by Songheng Group under the Songheng Master Sales Agreement 2022-2024 will be charged on a pricing mechanism based on the following bases:

- (i) cost-per-time at the standard charging rate of RMB1,000/per day to RMB50,000/per day on mobile devices ends or RMB30,000/per month to RMB50,000/per month on PC ends;
- (ii) cost-per-click at the standard charging rate of RMB0.2/per click to RMB0.5/per click on mobile devices ends or RMB0.3/per click on PC ends;
- (iii) cost-per-download at the standard charging rate of RMB1/per download to RMB10/download on mobile devices ends;
- (iv) cost-per-active at the standard charging rate of RMB2/per active to RMB20/per active on mobile devices ends or RMB0.3/per active to RMB2/per active on PC ends; and
- (v) cost-per-mille at the standard charging rate of RMB5/per mille to RMB1,000/per mille on mobile devices ends,

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depending on the daily volume of online traffic by adding up the quantity of advertisements displayed on the device and the amount of online user traffic and specific performance, as the case may be, created by the Group's banner advertising services. Such pricing mechanism and the standard charging rate for banner and mini-page advertising services of the Group are fixed with reference to the prevailing market rate and industry practice of similar services offered in the market as charged by other banner and mini-page advertising service providers. The same pricing mechanism is applicable to all Independent Third Party customer of the Group. The same pricing mechanism as that is adopted by the Group is also adopted by Songheng Group, which may be reset from time to time based on the prevailing market conditions, and such uniform pricing mechanism is applicable to all service providers of Songheng Group. The fees to be paid by Songheng Group to the Group will be calculated using the above pricing mechanism, which will be accumulated and billed by the Group at the end of every month. The current prevailing market rate for the fixed charging rate as charged by other banner and mini-page advertising services service providers for similar services based on the Company's research as at the Latest Practicable Date was generally within the range of RMB1 to 1,000/per mille, RMB80 to 50,000/per day, RMB0.1 to 5/per click, RMB 1 to RMB 10/per download and RMB0.3 to RMB30/per active. These rates were prevailing market rates as at the Latest Practicable Date, which may be adjusted according to prevailing market conditions.

INFORMATION OF THE PARTIES INVOLVED IN THE 360 MASTER SALES AGREEMENT 2022-2024

The Company

The Company is incorporated in the Cayman Islands with limited liabilities. The Group develops a series of PC and mobile devices utility software and offer them to users free-of-charge in exchange of online traffic that the Group monetizes from online advertising services, online game platforms and operation of exclusive licensed online game business.

360 Technology

360 Technology is a limited liability company established in the PRC on 15 September 2011 and is principally engaged in the research and development of Internet technology with a particular focus on Internet and computer security, and provision of online advertising and other value-added services and commercialisation of intelligent devices based on its Internet security products. 360 Technology is directly wholly-owned by 360. 360 is a joint stock company with limited liabilities established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601360). As at the Latest Practicable Date, 360 Technology, through its direct wholly-owned subsidiary, True Thrive, is holding 82,745,082 Shares, representing approximately 30.76% of the total issued share capital of the Company. 360 Technology is a controlling shareholder of the Company.

LISTING RULES IMPLICATIONS

As at the date of the Latest Practicable Date, 360 Technology, through its direct wholly-owned subsidiary, True Thrive, is interested in approximately 30.76% of the total issued share capital of the Company. Accordingly, 360 Technology is a controlling shareholder and a connected person of the Company, and the entering into of the 360 Master Sales Agreement 2022-2024 and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of

LETTER FROM THE BOARD

the Listing Rules. As at the Latest Practicable Date, Mr. Tian Ye, an executive Director, is the sole shareholder of Dashi Technology, which is deemed to be interested in all Shares and voting rights held by 360 Technology through True Thrive pursuant to the Entrustment Arrangements. Mr. Tian is therefore deemed to be interested in all the Shares held by True Thrive. Accordingly, each of True Thrive, Dashi Technology and their respective associates will abstain from voting in the EGM to be convened for the approval of the continuing connected transactions as contemplated under the 360 Master Sales Agreement 2022-2024 and the Annual Caps.

In addition, each of Mr. Liu Wei and Mr. Zhao Dan is a vice president of 360 Group. Accordingly, each of Mr. Tian Ye, Mr. Liu Wei and Mr. Zhao Dan has abstained from voting on the Board resolutions to approve the entering into of the 360 Master Sales Agreement 2022-2024. Save for Mr. Tian Ye, Mr. Liu Wei and Mr. Zhao Dan, no other Directors have a material interest in the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder.

Based on the Annual Caps for the three years ending 31 December 2024 under the 360 Master Sales Agreement 2022-2024 and the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the Annual Caps for the three years ending 31 December 2024 under the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Any Shareholders with a material interest in the 360 Master Sales Agreement 2022-2024 or the continuing connected transactions contemplated thereunder and their associates will be required to abstain from voting at the relevant resolution at the EGM.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, save for True Thrive and its associates (including Dashi Technology pursuant to the Entrustment Arrangements) held an aggregate of 128,664,057 Shares, representing approximately 47.83% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the EGM, no other Shareholders had a material interest and would be required to abstain from voting at the EGM in respect of the resolution in relation to the 360 Master Sales Agreement 2022-2024 and the transactions contemplated thereunder.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Yang, Mr. Wang Xinyu and Mr. Zhang Ziyu, has been established to advise the Independent Shareholders in relation to terms of the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder (including the Annual Caps for those transactions). No member of the Independent Board Committee has any material interest in the 360 Master Sales Agreement 2022-2024 or the continuing connected transactions contemplated thereunder.

Fortune Financial Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions as to whether the terms of the 360 Master Sales Agreement 2022-2024 and the Annual Caps are

LETTER FROM THE BOARD

fair and reasonable so far as the Independent Shareholder are concerned, whether the transactions contemplated under the 360 Master Sales Agreement 2022-2024 are conducted on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, as well as how to vote on 360 Master Sales Agreement 2022-2024 and the transactions contemplated thereunder.

EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM or any adjourned meeting hereof at conference room of the Company, 11/F, 11-24 Tianfu Software Site E1, 1268 Tianfu Avenue, High-tech Zone, Chengdu, Sichuan Province, PRC on Tuesday, 28 December 2021 at 11:00 a.m. to approve matters referred to in this circular at which relevant resolution will be proposed to the Shareholders to consider, and if thought fit, approve the 360 Master Sales Agreement 2022-2024, the continuing connected transactions as contemplated thereunder and the Annual Caps. The notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you intend to be present and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM (or any adjourned meeting thereof) in person should you so wish, and in such case, the authority of your proxy will be revoked.

Pursuant to the Rule 13.39(4) of the Listing Rules and Article 66(1) of the Articles of Association, any votes of shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith and in compliance with the Listing Rules, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The register of members of the Company will be closed, for the purpose of determining the Shareholders' entitlement to attend and vote at the meeting, from Wednesday, 22 December 2021 to Tuesday, 28 December 2021 (both days inclusive), during this period no transfer of shares will be registered. In order to attend and vote at the meeting, unregistered Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 December 2021.

RECOMMENDATION

The Board considers that the terms of the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions and the Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 24 to 39 of this circular in connection with the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder (including the Annual Caps) and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder (including the proposed Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to additional information set out in the appendix to this circular.

By Order of the Board
360 Ludashi Holdings Limited
Tian Ye
Chairman and executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



360 LUDASHI HOLDINGS LIMITED

360 魯大師控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3601)

7 December 2021

To the Independent Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 7 December 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the terms of the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder (including the Annual Caps), whether such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the resolution at the EGM approving the continuing connected transactions.

Fortune Financial Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 24 to 39 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 7 to 21 of the Circular and the additional information set out in the appendix of the Circular.

Having taken into account (i) the terms and conditions of the 360 Master Sales Agreement 2022-2024; and (ii) the advice and recommendations of the Independent Financial Adviser as set out from pages 24 to 39 of the Circular, we are of the opinion that the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder and the Annual Caps are on normal commercial terms and the terms of the continuing connected transactions are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions and the Annual Caps.

Yours faithfully,
Independent Board Committee
360 Ludashi Holdings Limited

Mr. Li Yang
*Independent non-executive
Director*

Mr. Wang Xinyu
*Independent non-executive
Director*

Mr. Zhang Ziyu
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation in this circular.



Fortune Financial Capital Limited
Unit 4102-06, COSCO Tower
183 Queen's Road Central
Hong Kong

7 December 2021

To the Independent Board Committee and the Independent Shareholders

11/F, 11-24 Tianfu Software Site E1
1268 Tianfu Avenue, High-tech Zone
Chengdu, Sichuan Province
PRC

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 360 Master Sales Agreement 2022-2024, the continuing connected transactions contemplated thereunder and the Annual Caps (collectively, the “**Continuing Connected Transactions**”), details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 7 December 2021 (the “**Circular**”) of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 2 November 2021, the Company entered into the 360 Master Sales Agreement 2022-2024 with 360 Technology in relation to the provision of online traffic monetization services, including Advertising Traffic Services and Game Traffic Services, by the Group to 360 Group.

As stated in the Announcement, the Company and 360 Technology have entered into a master agreement dated 18 September 2019 (“**360 Master Sales Agreement 2019-2021**”) for the provision of online traffic monetization services by the Group to 360 Group, which validity of such agreement will expire on 31 December 2021. During the period of the 360 Master Sales Agreement 2019-2021, the Group provided (i) Game Traffic Services whereby 360 Group would place its online games on the game platforms operated by the Group; and (ii) Advertising Traffic Services, principally included homepage directing services and to a lesser extent banner advertising services to 360 Group. As such, the 360 Master Sales Agreement 2022-2024 was entered into to renew such continuing connected transactions for a further term of three years commencing from 1 January 2022 and ending on 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, 360 Technology, through its direct wholly-owned subsidiary, True Thrive, is interested in approximately 30.76% of the total issued share capital of the Company. Accordingly, 360 Technology is a controlling shareholder and a connected person of the Company, and the entering into of the 360 Master Sales Agreement 2022-2024 and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the proposed Annual Caps for the three years ending 31 December 2024 under the 360 Master Sales Agreement 2022-2024 and the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, the proposed Annual Caps for the three years ending 31 December 2024 under the 360 Master Sales Agreement 2022-2024 and the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Tian Ye, an executive Director, is the sole shareholder of Dashi Technology, which is deemed to be interested in all Shares and voting rights held by 360 Technology through True Thrive pursuant to the Entrustment Arrangements. Mr. Tian is therefore deemed to be interested in all the Shares held by True Thrive. Accordingly, each of True Thrive, Dashi Technology and their respective associates will abstain from voting in the EGM to be convened for the approval of the continuing connected transactions as contemplated under the 360 Master Sales Agreement 2022-2024 and the Annual Caps. In addition, each of Mr. Liu Wei and Mr. Zhao Dan is a vice president of 360 Group. Accordingly, each of Mr. Tian Ye, Mr. Liu Wei and Mr. Zhao Dan has abstained from voting on the Board resolutions to approve the entering into of the 360 Master Sales Agreement 2022-2024.

To the best of the Directors' knowledge and belief after having made all reasonable enquiries, as of the Latest Practicable Date, save for Mr. Tian Ye, Mr. Liu Wei and Mr. Zhao Dan, no other Directors have any material interest in the Continuing Connected Transactions between the Group and 360 Group. Accordingly, none of the Directors (save for Mr. Tian Ye, Mr. Liu Wei and Mr. Zhao Dan who abstained as mentioned above) were required to abstain from voting on the Board resolutions in relation to the Continuing Connected Transactions.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Yang, Mr. Wang Xinyu, and Mr. Zhang Ziyu, has been established to advise the Independent Shareholders in relation to terms of the 360 Master Sales Agreement 2022-2024 and the continuing connected transactions contemplated thereunder (including the Annual Caps for those transactions). We, Fortune Financial Capital Limited, have been appointed, with approval of the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions as to whether the terms of the 360 Master Sales Agreement 2022-2024 and the Annual Caps are fair and reasonable so far as the Independent Shareholder are concerned, whether the transactions contemplated under the 360 Master Sales Agreement 2022-2024 are conducted on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, as well as how to vote on 360 Master Sales Agreement 2022-2024 and the transactions contemplated thereunder.

We have not acted as independent financial adviser nor financial adviser to the Company in relation to any other transactions of the Company in the last two years prior to the date of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS AND ASSUMPTIONS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the 360 Master Sales Agreement 2022-2024 entered into between the Group and 360 Technology;
- (ii) the interim report of the Company for the six months ended 30 June 2021 (“**2021 Interim Report**”);
- (iii) the annual report of the Company for the year ended 31 December 2020 (“**2020 Annual Report**”);
- (iv) the annual report of the Company for the year ended 31 December 2019 (“**2019 Annual Report**”);
- (v) the prospectus of the Company dated 26 September 2019 (“**Prospectus**”); and
- (vi) other information as set out in this Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is true and accurate, valid and complete in all material respects and not misleading or deceptive, and there are no other facts and omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry and have relied on such statements, information, opinions and representations. We consider that we have been

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the principal factors and reasons set out below:

1. Information of the Group and 360 Technology

Information on the Group

The Company is incorporated in the Cayman Islands with limited liabilities. The Group develops a series of PC and mobile devices utility software and offer them to users free-of-charge in exchange of online traffic that the Group monetizes from online advertising services, online game platforms and operation of exclusive licensed online game business.

Information on 360 Technology

360 Technology is a limited liability company established in the PRC on 15 September 2011 and is principally engaged in the research and development of internet technology with a particular focus on internet and computer security, and provision of online advertising and other value-added services and commercialisation of intelligent devices based on its Internet security products. 360 Technology is directly wholly-owned by 360. 360 is a joint stock company with limited liabilities established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601360). As at the Latest Practicable Date, 360 Technology, through its direct wholly-owned subsidiary, True Thrive, is holding 82,745,082 Shares, representing approximately 30.76% of the total issued share capital of the Company. 360 Technology is a controlling shareholder of the Company.

2. Reasons for and benefits of the 360 Master Sales Agreement 2022-2024

The reasons for and benefits of the 360 Master Sales Agreement 2022-2024 are described in the paragraph headed “Reasons for and benefits of the 360 Master Sales Agreement 2022-2024” in the “Letter from the Board” of the Circular.

As stated in the Letter from the Board, the Group has been providing online monetization services, including Advertising Traffic Services and Game Traffic Services in the ordinary course of business of the Group to 360 Group since 2015. As 360 Group is one of the largest suppliers in the PRC for internet securities products and services and also develops and distributes online games with a large active user base, 360 Group requires online monetization services from service providers, such as the Group, to provide

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Advertising Traffic Services and Game Traffic Services for its games and products to further acquire more users and further expand its business. The 360 Master Sales Agreement 2022-2024 will enable the Group to achieve greater synergies with 360 Group.

Having considered that (i) the Group is principally engaged in the relevant online traffic monetization services as discussed in the above section headed “Information of the Group and 360 Technology” of this letter; (ii) the Group has been providing online monetization services to the 360 Group since 2015; (iii) the 360 Master Sales Agreement will facilitate the conduct of transactions of similar nature and allow the Group to secure a longer term of sales relationship with the 360 Group; and (iv) the pricing terms offered by the 360 Group have been comparable to, or better than, those offered by Independent Third Parties for the provision of same products as discussed in the below section headed “Principal terms of the 360 Master Sales Agreement 2022-2024” of this letter, we are of the view that the Continuing Connected Transactions will be carried out in the ordinary and usual course of business of the Group and the 360 Master Sales Agreement 2022-2024 is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 360 Master Sales Agreement 2022-2024

A summary of the principal terms of the 360 Master Sales Agreement 2022-2024 is set out below. Details of which are set out in the section headed “360 Master Sales Agreement 2022-2024” in the “Letter from the Board” of the Circular.

Date:	2 November 2021
Parties:	(i) the Company; and (ii) 360 Technology.
Term:	Three years commencing from 1 January 2022 to 31 December 2024.
Nature of transactions:	Pursuant to the 360 Master Sales Agreement 2022-2024, the Group has agreed to provide online traffic monetization services to 360 Group.
Consideration:	In respect of Game Traffic Services, the fees in the form of commission payable by 360 Group shall be calculated based on an agreed fixed rate over the Gross Billing generated from all the online games of 360 Group launched on the game platform operated by the Group, which agreed fixed rate is determined after arm’s length negotiations with reference to prevailing market price determined in accordance with the pricing policy from time to time.

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In respect of Advertising Traffic Services, the fees payable by 360 Group shall be charged on a pricing mechanism based on cost-per-thousand IP times, cost-per-mille, cost-per-time, cost-per-click, cost-per-download and cost-per-active bases in accordance with the online traffic volume at the standard charging rate of the Group for different devices, determined after arm's length negotiations with reference to prevailing market price determined in accordance with the pricing policy from time to time.

Annual Caps:

The parties have agreed that the annual transaction amount for the provision of online monetization services (including Game Traffic Services and Advertising Traffic Services) under the 360 Master Sales Agreement 2022-2024 shall not exceed the following Annual Caps:

For the year ending 31 December	Annual Cap (RMB' 000)
2022	135,000
2023	135,000
2024	135,000

In determining whether the principal terms of the 360 Master Sales Agreement 2022-2024 are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholder as a whole, we have reviewed the 360 Master Sales Agreement 2022-2024 and discussed with the Management the major terms therein. We noted that the Group is not restricted from providing services, which are comparable to those provided to the 360 Group, to other potential customers.

Furthermore, we have reviewed and compared the principal terms of the 360 Master Sales Agreement 2022-2024 with the 360 Master Sales Agreement 2019-2021, and no material differences were noted.

Having considered that (i) the Group is not restricted from providing services, which are comparable to those provided to the 360 Group, to other potential customers; (ii) there is no material difference between the terms of 360 Master Sales Agreement 2022-2024 and 360 Master Sales Agreement 2019-2021, meaning that the terms of the 360 Master Sales Agreement 2022-2024 are reflecting the business practice between the Group and the 360 Technology in the past; and (iii) the Continuing Connected Transactions and the proposed Annual Caps will be governed and monitored by the pricing policies and internal control measures of the Group as discussed in the sections headed "Pricing policies of the 360 Master Sales Agreement 2022-2024" and "The internal control measures governing the transactions under the 360 Master Sales Agreement 2022-2024" of this letter, we are of the view that the terms of the Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

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4. Pricing policies of the 360 Master Sales Agreement 2022-2024

As stated in the “Letter from the Board” of the Circular, the fees in the form of commission and the fees payable by 360 Group for Game Traffic Services and Advertising Traffic Services shall be determined in accordance with the following general principles and sequence, but shall not be more favourable than the price offered by the Group to Independent Third Party customers for the comparable services:

- (i) where there is a government-prescribed price or government-guidance price, with reference to the government-prescribed price or government-guidance price;
- (ii) where there is neither government-prescribed price nor government-guidance price, the prevailing market price; or
- (iii) where none of the aforesaid is available, the price determined after arm’s length negotiations and in accordance with normal commercial terms.

Given that the services provided by the Group are not subject to any government-prescribed price or government-guidance price, in this connection, the fees charged by the Group to 360 Group for Advertising Traffic Services and Game Traffic Services are determined with reference to the general principles (ii) and (iii) above as elaborated below:

Game Traffic Services

For Game Traffic Services, the fees in the form of commission payable by 360 Group are calculated at the rate of 70% over the Gross Billing to be generated from their online games which are launched on the game platforms operated by the Group, which agreed fixed rate is comparable to those charged by the Group to other Independent Third Party customers for similar services. The agreed fixed rate is determined having regards to (i) credit evaluation of the customer in terms of size, reputation and industry of the customer involved; (ii) historical transactions creditability (in terms of monetary value and quantity of usage); (iii) the level of impression or popularity of the online games of the customer on the online game platform operated by the Group; (iv) the prevailing market rate and industry practice for similar services offered in the market as charged by other online game platform service providers; and (v) the potential future business opportunities with the customer. Gross Billing is the total amount paid by online game players for the purchase of virtual items in the online games of 360 Group through the Group’s online game platforms.

Advertising Traffic Services

Advertising Traffic Services to be provided by the Group to 360 Group under the 360 Master Sales Agreement 2022-2024 comprise (i) homepage directing services; and (ii) banner advertising, mini-page advertising and lockscreen advertising, the fees of which shall be charged to 360 Group on the basis of cost-per-thousand IP times, cost-per-mille, cost-per-time, cost-per-click, cost-per-download and cost-per-active in accordance with the online traffic volume at the standard charging rate of the Group for different devices as follows:

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Homepage directing services

For homepage directing services of the Advertising Traffic Services, the fees payable by 360 Group under the 360 Master Sales Agreement 2022-2024 will be charged on a progressive pricing mechanism on the basis of cost-per-thousand IP times at the fixed standard charging rate in the range of RMB60/thousand IP to RMB90/thousand IP, depending on the daily volume of online traffic by adding up the number of every distinctive IPs that have been successfully directed to the customer's homepage. Such progressing pricing mechanism and the standard charging rate of the Group are fixed with reference to the prevailing market rate and industry practice for similar services offered in the market as charged by other homepage directing service providers. The same pricing mechanism is applicable to all Independent Third Party customers of the Group.

The same pricing mechanism that is adopted by the Group is also adopted by 360 Group as published on 360 Group's website, which is also applicable to all homepage directing service providers of 360 Group and is accessible to all Internet users, and is comparable to those charged by the Group on Independent Third Party customers for similar services. The fees to be paid by 360 Group to the Group will be calculated using the above pricing mechanism, which will be accumulated and billed by the Group at the end of every month. As there are many service providers of homepage directing services and the PRC market for homepage directing services is fragmented, the prices for homepage directing services are generally determined by the buyers of such services and the current prevailing market rate for the fixed charging rate as charged by other homepage directing service providers for similar services based on the Company's research as at the Latest Practicable Date is generally within the range of RMB50/thousand IP to RMB90/thousand IP.

Banner advertising, mini-page advertising and lockscreen advertising

For mini-page services and lockscreen advertising services of the Group's Advertising Traffic Services, the fees payable by 360 Group under the 360 Master Sales Agreement 2022-2024 will be charged on the basis of cost-per-mille at the standard charging rate of ranging from RMB1 to RMB4. For the banner advertising services of the Group's Advertising Traffic Services, the fees payable by 360 Group under the 360 Master Sales Agreement 2022-2024 will be charged on a pricing mechanism based on the following bases:

- (i) cost-per-time at the standard charging rate of RMB1,000/per day to RMB50,000/per day on mobile devices ends or RMB30,000/per month to RMB50,000/per month on PC ends;
- (ii) cost-per-click at the standard charging rate of RMB0.2/per click to RMB0.5/per click on mobile devices ends or RMB0.3/per click on PC ends;
- (iii) cost-per-download at the standard charging rate of RMB1/per download to RMB10/download on mobile devices ends;
- (iv) cost-per-active at the standard charging rate of RMB2/per active to RMB20/per active on mobile devices ends or RMB0.3/per active to RMB2/per active on PC ends; and

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- (v) cost-per-mille at the standard charging rate of RMB5/per mille to RMB1,000/per mille on mobile devices ends,

depending on the daily volume of online traffic by adding up the quantity of advertisements displayed on the device and the amount of online user traffic and specific performance, as the case may be, created by the Group's banner advertising services. Such pricing mechanism and the standard charging rate for banner, mini-page and lockscreen advertising services of the Group are fixed with reference to the prevailing market rate and industry practice for similar services offered in the market as charged by other banner, mini-page and lockscreen advertising service providers. The same pricing mechanism is applicable to all Independent Third Party customers of the Group. The same pricing mechanism that is adopted by the Group is also adopted by 360 Group, which may be reset from time to time based on the prevailing market conditions, and such uniform pricing mechanism is applicable to all service providers of 360 Group. The fees to be paid by 360 Group to the Group will be calculated using the above pricing mechanism, which will be accumulated and billed by the Group at the end of every month. The current prevailing market rate for the charging rate as charged by other banner, mini-page and lockscreen advertising service provider for similar services based on the Company's research Latest Practicable Date was generally within the range of RMB1 to 1,000/per mille, RMB80 to 50,000/per day, RMB0.1 to 50/per click, RMB1 to 10/download and RMB0.3 to RMB30/per active. These rates were prevailing market rates as the Latest Practicable Date, which may be adjusted according to prevailing market conditions.

Review of pricing policies

With respect to the provision of Game Traffic Services to 360 Group, we discussed with the Company and understood that the selling prices, i.e. the Group's commission, and terms of Game Traffic Services will normally be determined upon entering into contracts. For the purpose of determining the prices of Game Traffic Services, the sales department of the Group will compare the selling price offered to the 360 Group and the Independent Third Party in respect of a similar type of services to ensure that the prices offered to the 360 Group are no less favourable to the Group than those offered by the Group to Independent Third Parties.

We obtained and reviewed six samples of contracts in relation to the Group's provision of Game Traffic Services to Independent Third Parties. Given that all samples were selected on a random basis and spread across the two years ended 31 December 2020 and nine months ended 30 September 2021, we consider the sample size is adequate and sufficient. Based on our review, we noted that the commission rate of Game Traffic Services charged to 360 Group were in line with the commission rate charged to Independent Third Parties, which are generally 70% of the Gross Billing, and no less favourable to the Group than those offered by the Group to Independent Third Parties.

With respect to the provision of homepage directing services of the Group's Advertising Traffic Services to 360 Group ("**Homepage Directing Services**"), we discussed with the Company and understood that the Homepage Directing Services were only provided to 360 Group for the two years ended 31 December 2020 and the nine months ended 30 September 2021. The Group charged 360 Group on a cost-per-thousand IP times basis at the fixed standard charging rate in the range of RMB60/thousand IP to RMB90/thousand IP, depending on the daily volume of online traffic by adding up the number of every distinctive IPs that have been successfully directed to the customer's

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homepage. We further noted that such pricing mechanism was in line with the fee schedule adopted by 360 Group which is published on 360 Group's website and applicable to all homepage directing service providers of 360 Group. For the purpose of determining the prices of Homepage Directing Services, the sales department of the Group will compare the fee schedules from 360 Group and Independent Third Party to ensure that the prices offered to 360 Group are no less favourable to the Group than those offered by the Group to Independent Third Parties.

We obtained and reviewed (i) the aforementioned fee schedule via public domain as at the Latest Practicable Date; and (ii) two fee schedules from Independent Third Parties via public domain as at the Latest Practicable Date. Given that all fee schedules from Independent Third Parties were selected on a best effort basis via public domain, we consider the sample size is adequate and sufficient. Based on our review, we note that the prices of Home Directing Services charged to 360 Group were in line with the charging rate offered by Independent Third Parties which is in the range of RMB50/thousand IP to RMB60/thousand IP, and no less favourable to the Group than those offered by the Group to Independent Third Parties.

With respect to the provision of banner, mini-page and lockscreen advertising services of the Group's Advertising Traffic Services to 360 Group ("**Other Advertising Services**"), we discussed with the Company and understood that:

- (i) lockscreen advertising services is a new business line under Advertising Traffic Services commenced in 2021;
- (ii) the Group did not provide mini-page and lockscreen advertising services to 360 Group for the two years ended 31 December 2020 and nine months ended 30 September 2021;
- (iii) the Group did not provide banner advertising services to 360 Group for nine months ended 30 September 2021;
- (iv) the fee payable by 360 Group in relation to the provision of mini-page and lockscreen advertising services will be charged on the basis of cost-per-mille at the standard charging rate ranging from RMB1 to RMB4;
- (v) the fee payable by 360 Group in relation to the provision of banner advertising services will be charged on a pricing mechanism as detailed in the above paragraphs;
- (vi) such pricing mechanism and standard charging rate are fixed with reference to the prevailing market rate and industry practice for similar services offered in the market;
- (vii) the same pricing mechanism is applicable to all Independent Third Party customers of the Group; and
- (viii) the same pricing mechanism as that is adopted by the Group is also adopted by 360 Group, which may reset from time to time based on the prevailing market conditions, and such uniform pricing mechanism is applicable to all service providers of 360 Group.

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For the purpose of determining the prices of Other Advertising Services to 360 Group, the sales department of the Group will (i) assess the price based on the results obtained during the trial the Group normally offers to customers for the provision of relevant services; and (ii) compare the selling price offered to the 360 Group and the Independent Third Party in respect of a similar type of services with similar type of underlying products to ensure that the prices offered to the 360 Group is no less favourable to the Group than those offered by the Group to Independent Third Parties.

In view of the pricing policies of banner advertising services, we obtained and reviewed six sample sets of contracts, monthly statements and invoices in relation to the Group's provision of banner advertising services to Independent Third Parties for the two years ended 31 December 2020 and nine months ended 30 September 2021. We also compared (i) the sample sets of contracts, monthly statements and invoices for the two years ended 31 December 2020 with the historical fee payable by 360 Group in relation to banner advertising services during the same period; and (ii) the sample sets of contracts, monthly statements and invoices for the nine months ended 30 September 2021 with the proposed pricing mechanism payable by 360 Group in relation to banner advertising services. Given that all sample sets of contracts, monthly statements and invoices were selected on a random basis and spread across the two years ended 31 December 2020 and nine months ended 30 September 2021, we consider the sample size is adequate and sufficient. Based on the sample contracts and transaction documents obtained, we noted that (i) the prices indicated in the sample sets of contracts, monthly statements and invoices for the two years ended 31 December 2020 were lower than the historical fee payable by 360 group in relation to banner advertising services during the same period; and (ii) the prices indicated in the sample sets of contracts, monthly statements and invoices for the nine months ended 30 September 2021 are within the range of the proposed prices of banner advertising services. As such, we are of the view that the prices of banner advertising services were at prevailing market prices and no less favourable to the Group than those offered by the Group to Independent Third Parties.

In view of the pricing policies of mini-page and lockscreen advertising services, we obtained and reviewed six sample sets of contracts, monthly statements and invoices in relation to the Group's provision of mini-page and lockscreen advertising services to Independent Third Parties for the nine months ended 30 September 2021. We also compared the sample sets of contracts, monthly statements and invoices with the proposed standard charging rate payable by 360 Group in relation to mini-page and lockscreen advertising services. Given that all sample sets of contracts, monthly statements and invoices were selected on a random basis and spread across the nine months ended 30 September 2021, we consider the sample size is adequate and sufficient. Based on the sample contracts and transaction documents obtained, we noted that the prices indicated in the sample sets of contracts, monthly statements and invoices for the nine months ended 30 September 2021 were within the range of the proposed prices of mini-page and lockscreen advertising. As such, we are of the view that the proposed prices of mini-page and lockscreen advertising services are at the prevailing market price and no less favourable to the Group than those offered by the Group to Independent Third Parties.

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Based on the above and the fact that they have been effective in ensuring the prices and terms for transactions entered into between the Group and 360 Group were no less favourable to the Group than those to Independent Third Parties, we are of the view that the pricing policies of the 360 Master Sales Agreement 2022-2024 fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

5. Historical transaction amounts and proposed Annual Caps under the 360 Master Sales Agreement 2022-2024

5.1 Historical transaction amounts

Based on information provided by the Company, we summarised in the following table (i) the existing annual cap of the 360 Master Sales Agreement 2019-2021 for each of the three financial years ending 31 December 2021; and (ii) the historical transaction amounts for the two years ended 31 December 2020 and the nine months ended 30 September 2021.

	For the year ended 31 December 2019		For the year ended 31 December 2020		For the financial year ending 31 December 2021	For the nine months ended 30 September 2021
	Existing annual cap (RMB'000)	Actual transaction amount (RMB'000)	Existing annual cap (RMB'000)	Actual transaction amount (RMB'000)	Existing annual cap (RMB'000)	Actual transaction amount (RMB'000)
Provision of online traffic monetization services (including Game Traffic Services and Advertising Traffic Services)	103,500	92,200	122,500	94,800	142,100	39,965
Utilization rate		89.1%		77.4%		28.1%

The utilization rates of the annual cap for the 360 Master Sales Agreement 2019-2021 were approximately 89.1%, 77.4% and 28.1% for the two years ended 31 December 2020 and the nine months ended 30 September 2021, respectively.

We noted that the existing annual cap in respect of the 360 Master Sales Agreement 2019-2021 for the two years ended 31 December 2020 and up to the nine months ended 30 September 2021 was not fully utilized with the range from approximately 10.9% to 71.9%. Based on our discussion with the Management, revenue derived from 360 Group under the 360 Master Sales Agreement 2019-2021 recorded a slight increase of approximately 2.8% from approximately RMB92.2 million for the year ended 31 December 2019 to approximately RMB94.8 million for the year ended 31 December 2020 as a result of the increase in number of games placed by 360 Group on the game platform operated by the Group. It is estimated that revenue from 360 Group will record a significant year-on-year decrease

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for the year ending 31 December 2021 as a result of (i) the negative impacts of COVID-19 pandemic on consumer spending which generally also affected the advertising budgets of 360 Group and (ii) decrease in the average spending from game players of games placed by 360 Group on the Group's platform.

5.2 Proposed Annual Caps under the 360 Master Sales Agreement 2022-2024

The following table sets out the proposed Annual Caps for the 360 Master Sales Agreement 2022-2024 for each of the three years ending 31 December 2024:

	For the year ending 31 December 2022 Proposed Annual Cap (RMB'000)	For the year ending 31 December 2023 Proposed Annual Cap (RMB'000)	For the year ending 31 December 2024 Proposed Annual Cap (RMB'000)
Provision of online traffic monetization services (including Game Traffic Services and Advertising Traffic Services)	135,000	135,000	135,000

In determining the above proposed Annual Caps, the Company has considered, among other factors, (i) the historical transactions amount for the provision of online traffic monetization services including Game Traffic Service and Advertising Traffic Services to 360 Group for each of the two years ended 31 December 2020 and the nine months ended 30 September 2021; (ii) the number of games placed by 360 Group on the game platform operated by the Group is on a rising trend; (iii) the extension of new Advertising Traffic Services to 360 Group such as mini-page advertising and lock screen advertising services is expected to increase 360 Group's demand for the online traffic monetization services provided by the Group; and (v) the anticipation of effect of COVID-19 on business of the Group and 360 Group will continue to recover.

In respect of the proposed Annual Caps of RMB135 million for the provision of online traffic monetization services including Game Traffic Service and Advertising Traffic Services to 360 Group for the each of the three years ending 31 December 2024, we have obtained from the Company a list of estimated revenue derived from the 360 Group in supporting to the proposed Annual Caps for the 360 Master Sales Agreement 2022-2024. We understand from the Company that the estimated revenue derived from the provision of Advertising Traffic Services to 360 Group for the three years ending 31 December 2024 was prepared on the basis that (i) there will be no material change in the fee schedule adopted and applied by the 360 Group to its business partners, including the Group, on Home Directing Services; (ii) price of the Other Advertising Services offered to 360 Group will be at prevailing market prices and no less favourable to than those offered to Independent Third Parties;

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and (iii) the commission rate of the Gross Billing generated from all the online games of 360 Group launched on the game platform operated by the Group is expected to remain stable at approximately 70%. We further note that:

- (i) for the Homepage Directing Services of the Advertising Traffic Services, the proposed Annual Caps for the three years ending 31 December 2024 is estimated based on:
 - (a) Director's estimation that demand from 360 Group for Home Directing Services will gradually resumed to pre-COVID-19 level, after having reviewed the development plan of 360 Group; and
 - (b) the estimated revenue derived from the provision of Home Directing Services to 360 Group for the three years ending 31 December 2024 which are determined after taking into account the average IP times directed for 360 Group for the two years ended 31 December 2020 and for the nine months ended 30 September 2021 and the estimated IP times to be directed for 360 Group for the three months ending 31 December 2021 which will be charged on the basis of cost-per-thousand IP times at the fixed standard charging rate in the range of RMB60/thousand IP to RMB90/thousand IP;
- (ii) for the Other Advertising Services of the Advertising Traffic Services, the proposed Annual Caps for the three years ending 31 December 2024 is estimated based on:
 - (a) the estimated revenue derived from the provision of mini-page advertising and lock-screen advertising services to 360 Group for the three years ending 31 December 2024 which are determined after taking into account the average revenue of the aforementioned services derived from Independent Third Parties for the two years ended 31 December 2020 and for the nine months ended 30 September 2021 and the estimated revenue of the aforementioned services derived from Independent Third Parties for three months ending 31 December 2021 which be charged on the basis of cost-per-mille at the standard charging rate ranging from RMB1 to RMB4; since the Company has yet to provide the said services to 360 Group hence no historical sales figures can be made reference to;
 - (b) the estimated revenue derived from the provision of banner advertising services to 360 Group for the three years ending 31 December 2024 which are determined after taking into account the number of banner advertising impressions purchased by 360 Group for the years ended 31 December 2019 and 2020 which will be charged on a pricing mechanism as described at "Banner advertising, mini-page advertising and lockscreen advertising" in this letter; and
- (iii) the proposed Annual Caps for the three years ending 31 December 2024 for Game Traffic Services is estimated based on the estimated Gross Billing generated from the online games of 360 Group launched on the game platforms operated by the Group for the three years ending 31 December 2024 which are determined after taking into

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account the average Gross Billing generated from the online games of 360 Group launched on the game platforms operated by the Group for the two years ended 31 December 2020 and for the nine months ended 30 September 2021 and the estimated Gross Billing for the three months ending 31 December 2021 times average commission rate of 70%.

In assessing the fairness and reasonableness of the proposed Annual Caps relating to the 360 Master Sales Agreement 2022-2024, we have reviewed and discussed with the Company with regards to the underlying calculations. We have (i) obtained and reviewed the historical revenue breakdown of 360 Group for the two years ended 31 December 2020 and for the nine months ended 30 September 2021; (ii) the revenue estimation in respect of the Home Directing Services and Other Advertising Services of the Advertising Traffic Services and Game Traffic Services for the three years ending 31 December 2024 prepared by the Group; and (iii) obtained and reviewed the development plan of 360 Group as provided by the Management, the annual report of 360 Group for the year ended 31 December 2020 and interim report of 360 Group for the six months ended 30 June 2021 to assess the general economic outlook of 360 Group and the reasonableness of the size of the proposed Annual Caps for the 360 Master Sales Agreement 2022-2024.

From our review of the aforesaid documents and discussion with the Management, we have taken into consideration the following in assessing the fairness and reasonableness of the Annual Caps relating to the 360 Master Sales Agreement 2022-2024:

- the estimated services fee for Advertising Traffic Services and commission rate for Game Traffic Services in calculating the Annual Caps for the three years ending 31 December 2024 are in line with the historical services fee and commission rate charged to 360 Group for Advertising Traffic Services and Game Traffic Services for the two years ended 31 December 2020 and for the nine months ended 30 September 2021;
- the estimated demand from 360 Group for Advertising Traffic Services and Game Traffic Services are determined with reference to the average demand from 360 Group for the aforementioned services for the two years ended 31 December 2020 and the nine months ended 30 September 2021 and the estimated demand for the aforementioned services for the three months ending 31 December 2021;
- the revenue estimation for the Group's Advertising Traffic Services and Game Traffic Services for the three years ending 31 December 2024 are estimated based on the pricing policies adopted by the Group and are estimated to remain steady for 2022 to 2024;
- the pricing policies and mechanism adopted by Group in calculating the Annual Caps are similar to those adopted by other service providers; and
- the proposed Annual Caps relating to the 360 Master Sales Agreement 2022-2024 is not unreasonable as compared to 360 Group's total expenses on advertisement for the year ended 31 December 2020.

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On the above basis, we are of the view that the bases on which the proposed Annual Caps relating to the 360 Master Sales Agreement 2022-2024 are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

6. The internal control measures governing the transactions under the 360 Master Sales Agreement 2022-2024

In assessing whether the Company has put in place effective internal control procedures for the 360 Master Sales Agreement 2022-2024, we have obtained and reviewed the following documents: (i) the internal control policies provided by the Company in order to assess the comprehensiveness of the Company's internal control system; (ii) the documentation of estimated price and volume for determining the proposed Annual Caps for the 360 Master Sale Agreement 2022-2024 which have been reviewed by the finance department; (iii) the board resolutions concerning among other, the 360 Master Sales Agreement 2022-2024; (iv) the annual internal meeting record of independent non-executive Directors for reviewing the transactions contemplated under the 360 Master Sales Agreement 2019-2021; and (v) the 2019 Annual Report and 2020 Annual Report concerning historical transactions contemplated under the 360 Master Sales Agreement 2019-2021. We noted that the above documents were prepared in accordance with the internal policies of the Company and they were in compliance with the relevant requirements under the Listing Rules. In addition, we have reviewed the terms and conditions attached to the 360 Master Sales Agreement 2022-2024, which have been prepared in accordance to the internal control manual of the Company. Based on the above, we are of the view that the Company has put in place effective internal control procedures for the 360 Master Sales Agreement 2022-2024, thereby safeguarding the interests of the Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) entering into the 360 Master Sales Agreement 2022-2024 and the transactions contemplated thereunder is in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the 360 Master Sales Agreement 2022-2024 are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) the related proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the 360 Master Sales Agreement 2022-2024.

Yours faithfully,
For and on behalf of
Fortune Financial Capital Limited
Alfred Wu
Managing Director

Mr. Alfred Wu ("Mr. Wu") is a responsible officer of Fortune Financial Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Wu has over 10 years of experience in corporate finance advisory in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS

(a) Directors' interest or short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company or their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

(i) Long position in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding
Mr. Tian Ye ⁽¹⁾	Interest in controlled corporations	128,664,057	47.83%
Mr. He Shiwei ⁽²⁾	Interest in controlled corporations	2,342,712	0.87%

Notes:

1. Dashi Technology and True Thrive hold approximately 17.07% and 30.76% of the issued share capital of the Company, respectively. Pursuant to the Entrustment Arrangements under the Company Shareholder Rights Entrustment Agreement and the Chengdu Qilu Shareholder Rights Entrustment Agreement, True Thrive has entrusted its shareholder rights including its voting power at general meetings with respect to its shareholding in the Company to Dashi

Technology. Dashi Technology is deemed to be interested in all the Shares and voting rights held by True Thrive. Dashi Technology is directly and wholly owned by Mr. Tian Ye who is therefore deemed to be interested in all the Shares held by Dashi Technology.

2. Hongmeng Investment Co. Ltd (“**Hongmeng Investment**”) holds 0.87% of the issued share capital of the Company. Hongmeng Investment is directly and wholly owned by Mr. He Shiwei. Mr. He Shiwei is therefore deemed to be interested in all the Shares held by Hongmeng Investment.

As at the Latest Practicable Date, save for (i) Mr. Tian Ye who is a director of Dashi Technology; (ii) each of Mr. Liu Wei and Mr. Zhao Dan is a vice president of 360 Group; and (iii) Mr. Sun Chunfeng is the chairman of the board of director of Shanghai Songheng, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Long position in shares of associated corporations

Name of Director	Name of associate corporation	Nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Tian Ye	Dashi Technology	Beneficial owner	5,000	100%
Mr. He Shiwei	Hongmeng Investment	Beneficial owner	5,000	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had, or were deemed to have, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as was known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, persons other than a Director or chief executive of the Company who had interests or short positions in the Shares and underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

Long position in shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of holding
Dashi Technology ^(Notes 1 and 3)	Beneficial owner	128,664,057	47.83%
True Thrive ^(Notes 2 and 3)	Beneficial owner	82,745,082	30.76%
360 Technology ^(Notes 2 and 3)	Interest in a controlled corporation	82,745,082	30.76%
360 ^(Notes 2 and 3)	Interest in a controlled corporation	82,745,082	30.76%
Tianjin Qixin Zhicheng Technology Company Limited* (天津奇信志成科技有限公司) (“Qixin Zhicheng”) ^(Notes 2 and 3)	Interest in a controlled corporation	82,745,082	30.76%
Zhou Hongyi (周鴻禕) ^(Notes 2 and 3)	Interest in a controlled corporation	82,745,082	30.76%
Songchang International Limited (“Songchang International”) ^(Note 4)	Beneficial owner	47,282,819	17.58%
Hong Kong Songyuan International Limited (“Songyuan International”) ^(Note 4)	Interest in a controlled corporation	47,282,819	17.58%
Shanghai Gaoxin Computer System Company Limited* (上海高欣計算機系統有限公司) (“Shanghai Gaoxin”) ^(Note 4)	Interest in a controlled corporation	47,282,819	17.58%
Shanghai Songheng ^(Note 4)	Interest in a controlled corporation	47,282,819	17.58%
Shanghai Dongfangwang Stock Company Limited* (上海東方網股份有限公司) (“Shanghai Dongfangwang”) ^(Note 4)	Interest in a controlled corporation	47,282,819	17.58%

Notes:

- Dashi Technology is directly and wholly owned by Mr. Tian Ye. Mr. Tian Ye is therefore deemed to be interested in all the Shares held by Dashi Technology.
- True Thrive is wholly owned by 360 Technology, which is wholly owned by 360, which is ultimately held by Mr. Zhou Hongyi and Qixin Zhicheng. Each of 360 Technology, 360, Mr. Zhou Hongyi and Qixin Zhicheng is therefore deemed to be interested in all the Shares held by True Thrive.
- Pursuant to the Entrustment Arrangements, True Thrive has entrusted its shareholder rights including its voting power at general meetings with respect to its shareholding in the Company to Dashi Technology. Dashi Technology is deemed to be interested in all the Shares and voting rights held by True Thrive.
- Songchang International is directly and wholly owned by Songyuan International, which is in turn directly and wholly owned by Shanghai Gaoxin, which is in turn directly and wholly owned by Shanghai Songheng, which is in turn controlled by Shanghai Dongfangwang. Songyuan International, Shanghai Gaoxin, Shanghai Songheng and Shanghai Dongfangwang are therefore deemed to be interested in all the Shares held by Songchang International. Shanghai Dongfangwang is the controlling shareholder of Shanghai Songheng, and directly and through its subsidiary, Shanghai Dongfangwang Investment Company Limited* (上海東方網投資有限公司), holds in aggregate approximately 34.3566% of Shanghai Songheng. Shanghai Dongfangwang is in turn controlled by State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會) of Shanghai.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no persons other than a Director or chief executive of the Company had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or would not be determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTOR'S INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has or had any interest, either directly or indirectly, in any assets which have since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

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

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up).

7. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) or have or may have any other conflict of interest with the Group pursuant to the Listing Rules.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against any member of the Group.

9. EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Fortune Financial Capital Limited	a corporation licensed to carry out Type 6 (Advising on Corporate Finance) regulated activity under the SFO

As at the Latest Practicable Date, Fortune Financial Capital Limited did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which had, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

Fortune Financial Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ludashi.com>) from the date of this circular up to and including the date of the EGM:

- (a) the 360 Master Sales Agreement 2022-2024;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (c) the letter from Fortune Financial Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;

- (d) the letter of consent referred to the paragraph headed “Qualification and Consent of Expert” in this appendix; and
- (e) this circular.

10. MISCELLANEOUS

- (a) The Company’s branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (b) The Cayman Islands principal share registrar and transfer office is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The company secretary of the Company is Mr. Cheng Ching Kit. Mr. Cheng is an associate member of both of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



360 LUDASHI HOLDINGS LIMITED

360 魯大師控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3601)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of the shareholders of 360 Ludashi Holdings Limited (the “Company”) will be held at 11:00 a.m. on Tuesday, 28 December 2021 at the conference room of the Company, 11/F, 11-24 Tianfu Software Site E1, 1268 Tianfu Avenue, High-tech Zone, Chengdu, Sichuan Province, PRC to consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the 360 Master Sales Agreement 2022-2024 (as defined in the circular of the Company dated 7 December 2021 (the “Circular”)) dated 2 November 2021 entered into between the Company and 360 Technology Group Co., Ltd.* (三六零科技集團有限公司), a copy of which has been produced at the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification, and the execution thereof and implementation of all transactions contemplated thereunder, as well as the annual caps contemplated thereof, be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company are authorised to do all such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the 360 Master Sales Agreement 2022-2024 and all transactions contemplated thereunder they may in their absolute discretion consider necessary, desirable or expedient to give effect to the 360 Master Sales Agreement 2022-2024 and the implementation of all transactions contemplated thereby and thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company.”

* *for identification purpose only*

By Order of the Board
360 Ludashi Holdings Limited
Tian Ye
Chairman and executive Director

Hong Kong, 7 December 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

Notes:

1. Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more Shares may appoint more than one proxy to attend and vote on the same occasion.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude members from attending and voting at the EGM or any adjournment thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.
3. A form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either executed under seal or under the hand of an officer or attorney duly authorized to sign the same.
4. Where there are joint holders of any Share(s), any one of such persons may attend and vote at the EGM, either in person or by proxy in respect of such Share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjournment thereof (as the case may be), the more senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. On a poll, every shareholder present at the EGM shall be entitled to one vote for every fully paid-up share of which he is the holder. The result of such poll shall be deemed to be the resolution of the EGM at which the poll was so required or demanded
6. The register of members of the Company will be closed from Wednesday, 22 December 2021 to Tuesday, 28 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 21 December 2021.

As at the date of this notice, the Board of Directors of the Company comprises Mr. Tian Ye and Mr. He Shiwei as executive Directors; Mr. Sun Chunfeng, Mr. Liu Wei and Mr. Zhao Dan as non-executive Directors; and Mr. Li Yang, Mr. Wang Xinyu and Mr. Zhang Ziyu as independent non-executive Directors.