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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)

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

References are made to (i) the prospectus of 360 Ludashi Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 26 September 2019 (the “**Prospectus**”) in relation to the global offering (the “**Global Offering**”), setting out the intended use of the net proceeds from the Global Offering at the time of the preparation of the Prospectus (the “**Net Proceeds**”); and (ii) the interim report of the Company for the six months ended 30 June 2022 published on 29 September 2022 (the “**Interim Report**”), which disclosed the use of the Net Proceeds as at 30 June 2022. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to use the Net Proceeds for the following purposes:

- approximately 30% of the Net Proceeds will be used to enhance research and development capability of the Group, including employ more professional experts, expand our research and development team and acquire technical intellectual property rights;
- approximately 20% of the Net Proceeds will be used to advertise and promote Ludashi Software and related software and products on the third parties’ electronic platforms, and continue to carry out the Group’s existing marketing plans;
- approximately 20% of the Net Proceeds will be used to enhance the Group’s own certified pre-owned and factory smartphones e-commerce platform and offline sales channel, *Xiao Lu Hao Huo*;
- approximately 20% of the Net Proceeds will be used to make additional strategic investments and acquisitions in cash alone or in combination with equity; and

- approximately 10% of the Net Proceeds will be used for working capital and general corporate purposes.

The Net Proceeds raised from the Listing on the Stock Exchange amounted to approximately HK\$123.1 million after deducting underwriting commissions and related expenses.

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

As at the date of this announcement, the unutilized Net Proceeds amounted to approximately HK\$35.1 million. For the reasons set out in the section headed “Reasons for and Benefits of the Change in Use of the Net Proceeds” in this announcement, the Board has resolved and approved to re-allocate the unutilized Net Proceeds on 15 December 2022. Details of the revised use and proportionate application of the Net Proceeds are set out below:

Purposes	Allocation of the Net Proceeds as disclosed in the Prospectus (HK\$ million)	Utilized Net Proceeds as at the date of this announcement (HK\$ million)	Unutilized Net Proceeds as at the date of this announcement (HK\$ million)	Adjusted allocation of the unutilized Net Proceeds (HK\$ million)
(i) to enhance the Group’s research and development capability	36.9	27.8	9.1	9.1
(ii) to advertise and promote Ludashi Software and related software and products on the third parties’ electronic platforms, and continue to carry out the Group’s existing marketing plans	24.6	16.2	8.4	8.4
(iii) to enhance the Group’s own certified pre-owned and factory smartphones e-commerce platform and offline sales channel	24.6	7.0	17.6	–
(iv) to make additional strategic investments and acquisitions in cash alone or in combination with equity	24.6	24.6	–	–

Purposes	Allocation of the Net Proceeds as disclosed in the Prospectus <i>(HK\$ million)</i>	Utilized Net Proceeds as at the date of this announcement <i>(HK\$ million)</i>	Unutilized Net Proceeds as at the date of this announcement <i>(HK\$ million)</i>	Adjusted allocation of the unutilized Net Proceeds <i>(HK\$ million)</i>
(v) for working capital and general corporate purposes	12.4	12.4	–	–
(vi) to advertise and promote online games operated by the Group	Nil	N/A	N/A	17.6
Total	123.1	88.0	35.1	35.1

The unutilized Net Proceeds are expected to be fully utilized on or before 31 December 2023.

Save for the aforesaid change, there is no other change in use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF THE NET PROCEEDS

As disclosed in the Interim Report, due to the intense competition in electronic devices sales industry, the Group recorded a relatively low gross profit margin for such business for the whole time, as a result, the Group carried out business realignment in 2021 and suspended the operation of its electronic devices sales business. Based on the analysis of the industry environment, after prudent assessment, the Board considers that it is impossible to generate expected return from the electronic devices sales business in the near future and decided to re-allocate the unutilized Net Proceeds in this business segment in order to make more efficient use of the Company's resources.

The Board has resolved to re-allocate the unutilized Net Proceeds of HK\$17.6 million originally intended to be used to enhance the Group's own certified pre-owned and factory smartphones e-commerce platform and offline sales channel to advertise and promote online games operated by the Group in light of the following reasons: (i) the revenue generated from the operation of online game business (including online game platforms and exclusive licensed online game business) has increased significantly and amounted to approximately 15.5%, 30.7% and 39.5% of the total revenue of the Group for the three years ended 31 December 2019, 2020 and 2021, respectively with the average annual growth rate of approximately 56.2%. The operation of online game business has become one of the important sources of income of the Group; (ii) the Group has been implementing a strategy to expand the scale of online game traffic purchase for its online game business, as a result of which the number of new users and active users increased by over 15% year-on-year, respectively in the first half of 2022. The Board believes that expanding the promotion investment in online game business will help further expand the user base and revenue generated from the Group's online games business

segment; and (iii) the Group plans to launch more new online games on its online game platforms in 2023. In respect of the operation of exclusive licensed online game business, apart from the 5 existing exclusive licensed online games, the Group plans to launch 2 to 3 new exclusive licensed online games in 2023. Therefore, the Group needs to input more funds in promoting online games.

The Board confirms that there is no material change in the nature of the business of the Company as set out in the Prospectus, and considers that the change in the use of the unutilized Net Proceeds will not have any material adverse impact on the existing business of the Group and that the above change in the use of the unutilized Net Proceeds is in the best interests of the Company and its Shareholders as a whole.

By order of the Board
360 Ludashi Holdings Limited
Mr. Tian Ye
Chairman and executive Director

Hong Kong, 15 December 2022

As at the date of this announcement, the Board 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.