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Lvji Technology Holdings Inc.
驢跡科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1745)

CHANGE IN THE USE OF PROCEEDS AND EXTENSION OF THE EXPECTED TIMELINE FOR USE OF PROCEEDS FROM PLACING

The board of directors (the “**Board**”) of Lvji Technology Holdings Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces that a Board meeting was held on 16 December 2022, at which the Board reviewed and approved (i) the proposed change in the use of net proceeds raised by the Company from the global offering (the “**Proceeds**”); and (ii) the extension of the expected timeline to use the proceeds of the Company from the allotment of new shares under the general mandate on 28 October 2020 (the “**Proceeds from Placing**”).

GENERAL INFORMATION ABOUT THE PROCEEDS

The Proceeds

Reference is made to the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 31 December 2019 (the “**Prospectus**”) relating to the respective intended use of the Proceeds. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Prospectus.

The shares of the Company were listed on the Hong Kong Stock Exchange on 17 January 2020 and the total net proceeds raised from the Global Offering, after deduction of various expenses relating to the Global Offering, amounted to approximately HK\$580 million. As disclosed in the Prospectus, the Company intended to use the net Proceeds for the following purposes:

- (1) approximately 50% for the production of online tour guides for tourist attractions in the PRC and overseas to cover more tourist attractions. Specifically:
 - a. approximately 10% for upgrading the content of existing products, including adding more styles of voice-over commentaries such as simulation of voice of celebrities associated with the tourist attractions, adding more language versions of existing editorial contents such as English, Japanese and Korean, and adding new features such as AR;
 - b. approximately 30% for data collection and content production of the tourist attractions we plan to develop online tour guides for, in order to facilitate our expansion to cover more tourist attractions in China and overseas;
 - c. approximately 10% for the expansion of our content production team, including hiring more art-related professional, hand-drawn pictures specialists and new college graduates;
- (2) approximately 10% for the recruitment of R&D talents and improving our development capabilities to enhance product quality and research and develop new products and services. Specifically:
 - a. approximately 3.5% for upgrading, among others, our existing hardware and software. We plan to introduce in-memory database, such as Hadoop database, ElasticSearch database and other software to strengthen our storage capacity to facilitate big data analysis;
 - b. approximately 3.5% for the recruitment of more R&D talents to design and develop more products and services according to market demand;
 - c. approximately 3.0% for the procurement of servers, such as those required for the development of private clouds, to support the needs of new projects such as big data, SaaS service and smart tourism management service systems;
- (3) approximately 10% for the promotion of our brand value and improving our sales and marketing capabilities to enhance our brand value and reinforce our market share:
 - a. approximately 6.0% for participating in industry exhibitions and conferences, on-site promotion at tourist attractions and marketing activities, among others, to enhance our relationship with OTAs, tourist attraction administrators, travel agencies;
 - b. approximately 4.0% for new product launches and marketing, and enhancement of our overall brand image;

- (4) approximately 20% for strategic investments and acquisitions. we plan to actively and prudently explore acquisition opportunities that we believe can enhance the features and functionality of our product and service offering, accelerate the expansion of our platforms and network of strategic partners, and solidify and extend our market leadership position;
- (5) approximately 10% for working capital and general corporate purposes.

As at 30 June 2022, the Proceeds had been utilized to the extent of approximately HKD364.2 million in aggregate, and the remaining available Proceeds amounted to approximately HKD215.8 million (“**Unutilized Proceeds**”). During the period from 30 June 2022 to the date of this announcement, the Company has not used any Unutilized Proceeds. As at the date of this announcement, the Proceeds had been utilized as follows:

	Intended use of Proceeds (HK\$ million)	Proportion (%)	Amount utilized as of the date of this announcement (HK\$ million)	Remaining unutilized balance as of the date of this announcement (HK\$ million)	Original expected timeline to use the remaining Proceeds
Upgrade of existing products' contents	58.0	10	20.3	37.7	31/12/2022
Data collection and content production of the tourist attractions for online tour guide development	174.0	30	174.0	–	N/A
Expansion of content production team	58.0	10	11.0	47.0	31/12/2022
Upgrade of existing hardware and software	20.3	3.5	7.5	12.8	31/12/2022
Recruitment of more R&D talents	20.3	3.5	20.3	–	N/A
Procurement of servers	17.4	3	–	17.4	31/12/2022
Industry exhibitions and conferences, on-site promotion at tourist attractions and marketing activities	34.8	6	34.8	–	N/A
New products launches and marketing	23.2	4	23.2	–	N/A
Strategic investment	116.0	20	15.0	101.0	31/12/2022
Working capital and general corporate purposes	58.0	10	58.0	–	N/A
Total	580.0	100	364.1	215.9	

The Company confirmed that the above Proceeds had been used for the purposes as described in the paragraph headed “Future Plans and Use of Proceeds” in the Prospectus.

PROCEEDS FROM PLACING

Reference is made to the section headed “Reasons for and Benefits of the Subscription and Use of Proceeds” in the announcement of the Company dated 12 October 2020 relating to the allotment and issuance of shares by the Company under the general mandate (“**Placing Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Prospectus and the Placing Announcement.

The allotment and issuance of shares by the Company was completed on 28 October 2020 and the net proceeds raised from the placing, after deduction of all relevant expenses, amounted to approximately HK\$47.9 million. As disclosed in the Placing Announcement and the interim report of the Company, the Company intended to use the Proceeds from Placing for the following purposes:

- (1) for operating expenses of the Group such as hiring additional employees, including SaaS engineer(s), project manager(s) and sales manager(s), to enrich the Group’s human resources on SaaS segment to solidify the leading role of the Group in the technical aspect of the market, and procuring advanced hardware and software equipment to increase the Group’s productivity; and
- (2) for equity acquisition and investment of high-quality enterprises associated with the Company’s business. By acquiring the leading SaaS system company of smart scenic spots in the PRC, the Group is committed to creating an enterprise level service ecosystem of “hardware + software + service”, and providing customers with efficient, convenient and low-cost SaaS services in cloud smart scenic spots, in consideration of the great market space of the Group’s large-scale tourism and ecological development model.

As at 30 June 2022, the Proceeds from Placing had been utilized to the extent of approximately HK\$4.8 million in aggregate, and the remaining available Proceeds from Placing amounted to approximately HK\$43.1 million (“**Unutilized Proceeds from Placing**”). During the period from 30 June 2022 to the date of this announcement, the Company has not used any Unutilized Proceeds from Placing. As at the date of this announcement, the Proceeds from Placing had been utilized as follows:

	Intended use of Proceeds from Placing <i>(HK\$ million)</i>	Proportion <i>(%)</i>	Amount utilized as of the date of this announcement <i>(HK\$ million)</i>	Remaining unutilized balance as of the date of this announcement <i>(HK\$ million)</i>	Original expected timeline to use the remaining net Proceeds from Placing
Operating expenses, such as hiring additional employees and procuring advanced hardware and software equipment	4.8	10	4.8	–	N/A
Equity acquisition and investment of high-quality enterprises associated with the Company’s business	43.1	90	–	43.1	31/12/2022
Total	<u>47.9</u>	<u>100</u>	<u>4.8</u>	<u>43.1</u>	

CHANGE IN USE OF THE PROCEEDS

Change in the use of the Proceeds is proposed to improve the utilisation efficiency of the Proceeds and reduce financing cost, and the Company intends to adjust the planning and proportion of the use of the Unutilised Proceeds. Accordingly, portions of the Proceeds originally allocated for the use of (i) upgrade of existing products' contents; (ii) expansion of content production team; (iii) upgrade of existing hardware and software; (iv) procurement of servers; and (v) strategic investment will be reallocated for (i) data collection and content production of the tourist attractions for online tour guide development; and (ii) working capital and general corporate purposes. The specific changes are as follows:

	Intended use of Proceeds (HK\$ million)	Revised allocation of Proceeds (HK\$ million)	Proportion (%)	Proposed change in use of Proceeds (HK\$ million)	Amount utilized as of the date of this announcement (HK\$ million)	Remaining unutilized balance after the proposed change in use of Proceeds the date of this announcement (HK\$ million)	Expected timeline to use the remaining net Proceeds
Upgrade of existing products' contents	58.0	28.0	4.8	(30.0)	20.3	7.7	31/12/2024
Data collection and content production of the tourist attractions for online tour Guide development	174.0	278.4	48	104.4	174.0	104.4	31/12/2024
Expansion of content production team	58.0	11.0	1.9	(47.0)	11.0	-	N/A
Upgrade of existing hardware and software	20.3	10.3	1.8	(10.0)	7.5	2.8	31/12/2024
Recruitment of more R&D talents	20.3	20.3	3.5	-	20.3	-	N/A
Procurement of servers	17.4	-	-	(17.4)	-	-	N/A
Industry exhibitions And conferences, on-site promotion at tourist attractions and marketing activities	34.8	34.8	6	-	34.8	-	N/A
New products launches and marketing	23.2	23.2	4	-	23.2	-	N/A
Strategic investment	116.0	96.0	16.6	(20.0)	15.0	81.0	31/12/2024

	Intended use of Proceeds (HK\$ million)	Revised allocation of Proceeds (HK\$ million)	Proportion (%)	Proposed change in use of Proceeds (HK\$ million)	Amount utilized as of the date of this announcement (HK\$ million)	Remaining unutilized balance after the proposed change in use of Proceeds of the date of this announcement (HK\$ million)	Expected timeline to use the remaining net Proceeds
Working capital and general corporate purposes	58.0	78.0	13.4	20.0	58.0	20.0	31/12/2024
Total	580.0	580.0	100	0.0	364.1	215.9	

Save as disclosed above, there is no other change in the use of the Proceeds.

EXTENSION OF EXPECTED TIMELINE FOR USE OF PROCEEDS FROM PLACING

Since the original expected timeline to use the Proceeds from Placing will mature on 31 December 2022, after careful consideration, the Company decides to extend the expected timeline for use of the Proceeds from Placing to 31 December 2024 as follows:

	Intended use of Proceeds from Placing (HK\$ million)	Proportion %	Amount utilized as of the date of this announcement (HK\$ million)	Remaining unutilized balance as of the date of this announcement (HK\$ million)	Expected timeline to use the remaining net proceeds upon the change of Proceeds from Placing
Operating expenses, such as hiring additional employees and procuring advanced hardware and software equipment	4.8	10	4.8	-	N/A
Equity acquisition and investment of high-quality enterprises associated with the Company's business	43.1	90	-	43.1	31/12/2024
Total	47.9	100	4.8	43.1	

REASONS FOR AND BENEFITS OF CHANGE IN THE USE OF PROCEEDS AND EXTENSION OF THE EXPECTED TIMELINE FOR USE OF PROCEEDS FROM PLACING

The aforesaid proposed changes, on one hand, may improve the Company's utilisation efficiency of the Proceeds and reduce financing cost. On the other hand, in view of the improvement of the COVID-19 epidemic, it is expected that the economy will gradually be less affected by the epidemic and the tourism industry will see a steady recovery in the next two years, and the Company's online tour guide products and services will benefit from the industry recovery. The Company will seize this opportunity to continue to focus on its principal business, invest more resources in the development of its online tour guide business in China and overseas market, improve and upgrade its existing products and solidify its market leadership position.

Since the original expected timeline to use the Proceeds from Placing will mature on 31 December 2022, the Company decides to extend the period of use for such proceeds. In the future, as the industry and the global economy becomes gradually recovered, the Company will actively explore acquisition, merger and investment opportunities associated with the Company's business to build an online tour guide products platform featured with a more diversified scenes and ecology development models.

The Board (including the independent non-executive Directors) confirms that the above proposed changes are in line with the actual situation and operational development needs of the Company. The Board confirms that the above changes shall not have any material adverse impact on the operations of the Group and is in the interests of the Company and the Shareholders as a whole.

According to the provisions of the Company's Articles of Association, the above resolutions relating to the proposed change in the use of the Proceeds and the extension of expected timeline for use of the Proceeds from Placing are not subject to consideration and approval at the Company's general meeting and shall take effect from the date of consideration and approval by the Board.

By order of the Board
Lvji Technology Holdings Inc.
Zang Weizhong
Chairman and Executive Director

Guangzhou, the PRC, 16 December 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zang Weizhong, Mr. Wang Lei and Mr. Liu Hui; one non-executive Director, namely Mr. Cheung King Him Edmund; and three independent non-executive Directors, namely Ms. Gu Jianlu, Ms. Gao Yuanyuan and Ms. Gu Ruizhen.