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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)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021. The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by the Company's auditor in accordance with Hong Kong Standards on Auditing. These results have been reviewed by the Audit Committee.

### SUMMARY OF RESULTS

	For the year ended		Year-on-year change (%)
	2021 RMB' 000	2020 RMB' 000	
Revenue	337,925	347,901	(2.9)
Gross profit	166,667	187,154	(10.9)
Profit before taxation	63,712	86,869	(26.7)
Profit for the year	57,664	77,097	(25.2)
Profit attributable to equity holders of the Company for the year	55,038	72,669	(24.3)
Earnings per share			
– Basic (in RMB cents)	20.46	27.01	(24.3)
– Diluted (in RMB cents)	20.46	27.01	(24.3)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	3	337,925	347,901
Costs of sales and services		<u>(171,258)</u>	<u>(160,747)</u>
Gross profit		166,667	187,154
Other income	4	10,927	14,424
Impairment losses under expected credit loss model, net of reversal		(8,728)	(2,441)
Other gains and losses	5	(2,892)	(10,254)
Selling and distribution expenses		(25,099)	(24,962)
Administrative expenses		(36,506)	(46,219)
Research and development expenses		(39,814)	(28,744)
Share of results of associates		(671)	(1,884)
Finance costs	6	<u>(172)</u>	<u>(205)</u>
Profit before taxation		63,712	86,869
Taxation	7	<u>(6,048)</u>	<u>(9,772)</u>
Profit and total comprehensive income for the year		<u>57,664</u>	<u>77,097</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		55,038	72,669
Non-controlling interests		<u>2,626</u>	<u>4,428</u>
		<u>57,664</u>	<u>77,097</u>
Earnings per share			
Basic (in RMB cents)	8	<u>20.46</u>	<u>27.01</u>
Diluted (in RMB cents)	8	<u>20.46</u>	<u>27.01</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2021**

	<i>NOTES</i>	<b>31/12/2021</b> <b>RMB'000</b>	31/12/2020 <i>RMB'000</i>
<b>Non-current assets</b>			
Intangible assets		<b>3,400</b>	2,870
Property, plant and equipment		<b>9,188</b>	11,254
Interests in associates		<b>8,940</b>	10,580
Financial assets at fair value through profit or loss (“FVTPL”)		<b>1,600</b>	25,628
Deferred tax assets	<i>9</i>	<b>8,416</b>	7,535
		<b>31,544</b>	57,867
<b>Current assets</b>			
Exclusive rights to operate licensed online games		–	6,182
Trade receivables	<i>10</i>	<b>49,869</b>	53,623
Other receivables, deposits and prepayments	<i>11</i>	<b>44,143</b>	40,400
Inventories		<b>480</b>	176
Financial assets at FVTPL		<b>80,353</b>	–
Tax recoverable		<b>225</b>	1,079
Restricted bank deposits	<i>12</i>	<b>1,100</b>	–
Bank balances and cash	<i>12</i>	<b>384,975</b>	369,233
		<b>561,145</b>	470,693
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>40,104</b>	29,508
Contract liabilities		<b>553</b>	101
Lease liabilities		<b>1,929</b>	2,650
Income tax payable		<b>3,893</b>	402
		<b>46,479</b>	32,661
<b>Net current assets</b>		<b>514,666</b>	438,032
<b>Total assets less current liabilities</b>		<b>546,210</b>	495,899

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**  
*AT 31 DECEMBER 2021*

	<i>NOTES</i>	<b>31/12/2021</b> <b>RMB'000</b>	31/12/2020 <i>RMB'000</i>
<b>Capital and reserves</b>			
Share capital		2,425	2,425
Reserves		<u>537,522</u>	<u>482,484</u>
Equity attributable to owners of the Company		<u>539,947</u>	484,909
Non-controlling interests		<u>5,012</u>	<u>7,237</u>
		<u>544,959</u>	<u>492,146</u>
<b>Non-current liability</b>			
Lease liabilities		<u>1,251</u>	<u>3,753</u>
		<u><b>546,210</b></u>	<u><b>495,899</b></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION, STRUCTURED CONTRACTS AND BASIS OF PREPARATION

360 Ludashi Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 February 2018.

The Company is an investment holding company. The subsidiaries of the Company are mainly engaged in online advertising services, online game platforms and operation of exclusive licensed online game business (collectively, the “online game business”), sales of certified pre-owned and factory smartphones and certified pre-owned and factory other electronic devices as well as smart accessories in the PRC.

### 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of online advertising services, online game business, and sales of smart accessories, certified pre-owned and factory smartphones and other electronic devices in the PRC.

Revenue represents services and sales income comprising the business mentioned above.

#### Segment information

The Group’s chief operating decision maker has been identified as the chief executive officer who reviews revenue analysis by business lines when making decisions about allocating resources and assessing performance of the Group.

As there is no other discrete financial information available for assessment of performance of different business lines, only entity-wide disclosures, major customers and geographic information are presented.

The revenues attributable to the Group's business lines for the years ended 31 December 2021 and 2020 are as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Online traffic monetization		
– Online advertising services	<b>203,858</b>	177,718
– Online game platforms	<b>113,698</b>	92,468
– Operation of exclusive licensed online game business	<b>19,741</b>	14,374
Electronic devices sales		
– Smart accessories sales	<b>459</b>	218
– Certified pre-owned and factory smartphones sales	–	62,105
– Certified pre-owned and factory other electronic devices sales	<b>169</b>	1,018
Total	<b>337,925</b>	347,901

### Geographical information

During the year, the Group principally operated in the PRC and its revenue was generated in the PRC and overseas based on the location of the customers' operations. All of its non-current assets were located in the PRC.

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
PRC	<b>293,163</b>	323,138
Overseas	<b>44,762</b>	24,763
Total	<b>337,925</b>	347,901

### Timing of revenue recognition

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
A point in time	<b>201,933</b>	241,059
Over time	<b>135,992</b>	106,842
Total	<b>337,925</b>	347,901

#### 4. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants ( <i>Note</i> )	5,214	9,292
Interest income		
– bank deposits	3,395	5,132
– financial assets at FVTPL	2,318	–
	<u>10,927</u>	<u>14,424</u>

*Note:* The Government grants mainly represented the tax refund and high-tech subsidies received from local government authorities.

#### 5. OTHER GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment loss recognised in respect of interest in an associate	–	(6,646)
Gain on deemed disposal of interest in an associate	711	–
Loss arising from sale of financial asset at FVTPL	(2,642)	–
Gain from changes in fair value of financial assets at FVTPL	353	–
Gain on disposal of property, plant and equipment	–	5
Gain on early termination of leases	238	–
Net foreign exchange loss	(1,874)	(3,680)
Others	322	67
	<u>(2,892)</u>	<u>(10,254)</u>

#### 6. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on lease liabilities	172	205

#### 7. TAXATION

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Tax expense comprises:		
Current tax – PRC Enterprise Income Tax (“EIT”)	4,463	12,966
– Hong Kong	2,466	–
Deferred tax ( <i>Note 9</i> )	(881)	(3,194)
Total	<u>6,048</u>	<u>9,772</u>

The taxation for the years ended 31 December 2021 and 2020 can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation	<u>63,712</u>	<u>86,869</u>
Tax at applicable tax rate of 25%	15,928	21,717
Tax effect of share of results of associates	167	471
Tax effect of expenses not deductible for income tax purpose	3,535	2,881
Utilisation of tax losses previously not recognised	(1,126)	(254)
Tax effect of tax losses not recognised	167	320
Tax effect of additional deduction of certain research and development expenses	(7,821)	(3,324)
Income tax at concessionary rate	(3,063)	(12,039)
Effect of different tax rates of a subsidiary operating in other jurisdiction	<u>(1,739)</u>	<u>–</u>
Taxation for the year	<u><b>6,048</b></u>	<u><b>9,772</b></u>

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u><b>55,038</b></u>	<u>72,669</u>
<b>Shares</b>	<b>Number of ordinary shares</b>	
	<b>31/12/2021</b>	31/12/2020
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u><b>269,000</b></u>	<u>269,000</u>

No diluted earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.



## 9. DEFERRED TAX ASSETS

The following are the major deferred taxation recognised and movement thereon during the current and prior years:

	Allowance for credit losses <i>RMB'000</i>	Provision for inventories <i>RMB'000</i>	Impairment on interests in an associate <i>RMB'000</i>	Unrealised intragroup profit <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	83	186	–	414	3,658	4,341
Credited (charged) to profit or loss	593	94	997	(167)	1,677	3,194
At 31 December 2020	676	280	997	247	5,335	7,535
Credited (charged) to profit or loss	1,577	(180)	–	(247)	(269)	881
At 31 December 2021	<b>2,253</b>	<b>100</b>	<b>997</b>	<b>–</b>	<b>5,066</b>	<b>8,416</b>

As at 31 December 2021, the Group has unused tax losses of RMB24,591,000 (2020: RMB28,864,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB20,975,000 (2020: RMB22,118,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB3,616,000 (2020: RMB6,746,000) due to the unpredictability of future profit streams which will expire from 2022 to 2026 (2020: from 2022 to 2025).

## 10. TRADE RECEIVABLES

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Trade receivables		
– related parties	6,233	9,417
– third parties	50,350	46,917
Less: allowance for credit losses	(6,714)	(2,711)
	<b>49,869</b>	<b>53,623</b>

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on the dates of delivery of goods/dates of rendering of services.

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
0–90 days	35,532	39,172
91–180 days	10,929	6,669
Over 180 days	3,408	7,782
	<b>49,869</b>	<b>53,623</b>

## 11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Other receivables		
– a related party	9,500	1,500
– third parties	8,538	2,756
Less: allowance for credit losses	(4,975)	(250)
Deductible value-added tax	4,961	5,426
Deferred cash consideration on disposal of subsidiaries	–	1,500
Prepayments and deferred expenses		
– related parties	–	4,468
– third parties	23,847	16,775
Deposit for an investment	–	1,825
Interest receivables	744	126
Online payment platforms	1,528	6,274
	<hr/>	<hr/>
Total	<b>44,143</b>	<b>40,400</b>

## 12. RESTRICTED BANK DEPOSITS/ BANK BALANCES AND CASH

Bank balances and cash of the Group comprise cash and short-term deposits with an original maturity of three months or less and non-pledged bank deposits with an original maturity of more than three months.

As at 31 December 2021, the Group's bank balances and short-term bank deposits amounted to RMB384,974,000 (2020: RMB369,231,000) carried interest rates, per annum, ranging from 0.01% to 1.82% (2020: 0.01% to 2.80%) and the Group's cash balance amounted to RMB1,000 (2020: RMB2,000).

As at 31 December 2021, the Group had restricted bank deposits of RMB1,100,000 (2020: nil), representing blocked deposits for a litigation in the PRC.

### 13. TRADE AND OTHER PAYABLES

	<b>31/12/2021</b>	31/12/2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables		
– related parties	544	300
– third parties	13,372	7,983
Other payables		
– a related party	–	1,000
– third parties	3,923	3,646
Payables arisen from online game platforms business	7,330	6,993
Payroll payable	13,588	9,339
Other tax payable	1,347	247
	<u>40,104</u>	<u>29,508</u>

The credit period granted by trade creditors is normally within three months. The following is an aging analysis of trade payables presented based on the dates of delivery of goods/dates of rendering of services:

	<b>31/12/2021</b>	31/12/2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0–90 days	13,137	7,459
91–180 days	311	435
Over 180 days	468	389
	<u>13,916</u>	<u>8,283</u>

## **BUSINESS REVIEW AND OUTLOOK**

### **Business Review**

In 2021, as continuously affected by the COVID-19 epidemic (the “**Epidemic**”), the global economy was in a slump as a whole. While the vaccine development and vaccination arrangements for COVID-19 have been in progress in an orderly manner and China’s economy has gradually recovered in 2021, external risks and challenges still persisted, the recovery of the domestic economy remained under pressure and the overall market was still sluggish. The advertising promotion budgets of advertisers from PCs (personal computers) of the Group have been reduced continuously, leading to the reduction in the number of their advertisements and the amount of their advertising expenses, thus resulting in the decrease in the income of online advertising services from PCs and the overall net profit of the Group.

In 2021, the Group continued to focus on the development of its online traffic monetization business. Through upgrading and iteration of our products as well as enriching our product matrix, the number and stickiness of users of our online advertising services have increased. As for online game business including the provision of online game platforms and operation of exclusive licensed online games, the Group continued to attract new gamers and expanded user base through continuously launch attractive new games and marketing efforts.

We develop a series of PC and mobile device utility software which are offered to users free of charge in exchange for online traffic that we monetize by online advertising and online game businesses. In particular, our utility software, “Ludashi Software” (魯大師軟件), a well-known brand and software in China and elsewhere in the world with a specialty in PC/smartphone hardware and system benchmarking and monitoring, has accumulated a large user base through providing free download and installation. Meanwhile, in 2021, we were committed to the research and development and advertising of various utility software for mobile devices in the domestic market, the effects of which were remarkable and bringing in significant increase in the MAUs of the Group. As at 31 December 2021, the MAUs of all our PC and mobile device utility software amounted to approximately 190.2 million.

In 2021, we launched a series of new PC versions of Ludashi Software and proactively improved product functions to meet the expectations of our customers with increasing demands for PC version of Ludashi Software. The newly-launched estimation function for power consumption and the benchmarking engines through ray tracing of Ludashi Software (PC version) would help users to build a more comprehensive understanding of core hardware, such as graphics card, which is helpful for users to select and purchase as well as compare in holistic manner when purchasing computers. At the same time, we redesigned the list of performance benchmarking to create a new ranking list, building a more scientific scoring system and thus providing users with a more complete information display. With the launch of the Windows 11 system, we quickly launched the corresponding update assistant tool for the Windows 11 system, providing upgrade guides and installation services for users who requested it. In the second half of 2021, the iterative update of Ludashi Software’s cleaning and hardware benchmarking functions enable the PC version of Ludashi Software to evolve from its former infrastructure and support identification and detection in more software and hardware scenarios. In the future, we will continue to maintain our original aspiration and successively launch more and better functions to serve more user groups.

Since the official launch of the Ludashi Pro software, after having been through operation and multiple iterations, it now primarily focuses on the information technology (“IT”) operations and maintenance industry. The Ludashi Pro software is mainly based on three core modules, including asset digital management, asset risk smart monitoring and remote risk addressing to provide IT asset management solutions and document sharing plug-ins, which have received recognitions and acclaims from most of our customers. As at 31 December 2021, Ludashi Pro software has accumulated over 600 effective users and over 2,500 units of effective equipment. We have reached strategic cooperation with renowned hardware developers in relation to the application of the official version of Ludashi Pro software. In 2022, Ludashi Pro software will develop more sophisticated functions targeting at the IT operations and maintenance industry to satisfy the demands of customers in more business scenarios, and will also further enhance the customer base of the Ludashi Pro software by carrying out marketing and promotion campaigns targeting at users of the industry.

As for our online game platforms business, in 2021, the Group continuously launched new games, covering H5 and PC ports, and this segment of business has maintained continuous growth. Launching games through various ports and improving our customer service quality were our fundamental objectives in 2021 and will remain to be our targets in 2022. The ARPU from our paying users for 2021 increased by approximately 20% as compared to that for 2020, and each of the user stickiness, paying frequency and amount paid has significantly increased.

As for the operation of exclusive licensed online game business, adhering to the distribution strategy of “making diversified attempts and realizing breakthroughs in niche market”, the Group has established a comprehensive distribution mechanism. From the initial evaluation upon product connection, to launch online traffic purchase test and to large scale promotion, we conduct data validation in a prompt manner to realize quick screening and have been exploring distribution strategies for high-quality products. In 2021, the Group launched 8 exclusive licensed online games, covering various categories including card game, role-playing game, text-based game and others. In 2022, the Group plans to launch more game products, covering business simulation game, role-playing game, card game, quadratic element game and others.

In respect of the electronic devices sales business, due to the fierce competition of the electronic devices sales industry, the gross profit margin of this segment of our business has been relatively low, and therefore, in 2021, the Group carried out business realignment and suspended the operation of the electronic devices sales business. However, we will continue to explore new operation models and will continue this segment of business after identifying suitable operational approach.

In 2021, the intelligent hardware benchmarking laboratory jointly established by the Group and the College of Computer Science of Sichuan University\* (四川大學計算機學院) was put into full operation and entered into cooperation with various renowned brands including Huawei, Xiaomi and OPPO in respect of cell-phone aging and UI testing solutions. 12 rounds of horizontal tests have been completed on electric vehicle testing approaches, resulting in credible evaluation standards in the industry. In addition, through constructing an optics reviewing module, the laboratory has obtained preliminary display equipment testing capabilities, and established testing and reviewing methods on display performance, which can be used to test displays, cell-phones, laptops and other related products.

For the year ended 31 December 2021, the Group recorded a total revenue of approximately RMB337.9 million, representing a decrease of approximately 2.9% as compared to that of 2020, with the revenue from our online advertising services of approximately RMB203.9 million, representing an increase of approximately 14.7% as compared to that of 2020; the revenue from our online game platforms of approximately RMB113.7 million, representing an increase of approximately 22.9% as compared to that of 2020; the revenue from the operation of exclusive licensed online game business of approximately RMB19.7 million, representing an increase of approximately 36.8% as compared to that of 2020; and the revenue from our electronic devices sales business of approximately RMB0.6 million, representing a decrease of approximately 99.1% as compared to that of 2020. The net profit attributable to the parent company was approximately RMB55.0 million, representing a decrease of approximately 24.3% as compared to that of 2020.

## Outlook

Looking forward to 2022, the Epidemic may persist for a period of time and there will be uncertainties arising from the worldwide geopolitical tensions, which may directly or indirectly affect the business of the Group in the future, and thus our overall revenue. The Group will continue to develop our existing principal business while making every effort to seek new business opportunities, including but not limited to developing the exclusive licensed online game business, continuously enriching domestic product matrix for mobile devices and enterprise business segment, in order to mitigate the adverse impact brought by the above factors.

We aim to further increase the user number and stickiness of our software and game business by upgrading and improving our software products and enriching our product matrix. In the meantime, we will leverage on our expertise in PC and mobile device hardware and system benchmarking and monitoring to develop innovative products so as to enhance our monetization capability. In addition, through stabilizing the relationship with our suppliers, customers and users to obtain stable economic benefits.

In 2022, the Group will continue to implement the following strategies to maintain our brand image as a reliable hardware expert and strive to become a leading internet company:

- update and iterate the PC version of Ludashi Software on an on-going basis, and proactively improve our product functions to address more demands from our users;
- in order to keep providing customers with better services and improve user experience, we will continue to update and iterate the Ludashi Software and Ludashi Pro software to offer more in-depth functions to accommodate more business scenarios for users, and will also conduct marketing activities targeting at industry users, and further expand the user base of various software of the Group;
- develop various types of online games on an on-going basis, insist on exploration of the distribution strategy of our premium products, keep distributing and operating our exclusive licensed online games;
- constantly expand the scale of investment in online game business promotion, combine the online game directing business with online game launching business, and keep improving our competitiveness, so as to increase our operational revenue scale;
- further improve our product quality, maintain and expand our user base, stabilize the overseas markets by strengthening our research and development capability; and
- continue to attract and retain talents and professionals, and build strategic alliances and pursue investments and acquisitions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

We derived revenue from two business lines, namely online traffic monetization and electronic devices sales. The revenue of online traffic monetization is from online advertising services, online game platforms and operation of exclusive licensed online game business. The revenue from electronic devices sales includes revenue generated from sales of certified pre-owned and factory smartphones, smart accessories and certified pre-owned and factory other electronic devices.

Our revenue decreased by approximately 2.9% from approximately RMB347.9 million for the year ended 31 December 2020 to approximately RMB337.9 million for the year ended 31 December 2021. Such decrease was mainly due to the fierce competition of the electronic devices sales industry, and in view of the relatively low gross profit margin of such business, the Group carried out business realignment in 2021 and suspended the operation of electronic devices sales business.

The following table sets forth our segment revenue by amount and as a percentage of our revenue for the years ended 31 December 2020 and 2021:

	For the year ended 31 December			
	2021		2020	
	<i>RMB' 000</i>	<i>Proportion (%)</i>	<i>RMB' 000</i>	<i>Proportion (%)</i>
<b>Online traffic monetization</b>				
Online advertising services	203,858	60.4	177,718	51.0
Online game platforms	113,698	33.6	92,468	26.6
Operation of exclusive licensed online game business	19,741	5.8	14,374	4.1
<b>Electronic devices sales</b>				
Certified pre-owned and factory smartphones sales	–	–	62,105	17.9
Smart accessories sales	459	0.1	218	0.1
Certified pre-owned and factory other electronic devices sales	169	0.1	1,018	0.3
<b>Total</b>	<b>337,925</b>	<b>100.0</b>	<b>347,901</b>	<b>100.0</b>

#### (i) *Online traffic monetization*

##### (a) *Online advertising services*

Our revenue from online advertising services increased by approximately 14.7% from approximately RMB177.7 million for the year ended 31 December 2020 to approximately RMB203.9 million for the year ended 31 December 2021. This was due to the Group's efforts to actively develop and promote domestic mobile utility products, which achieved a result to some extent and thus increased our revenue.

(b) *Online game platforms*

Our revenue from online game platforms increased by approximately 22.9% from approximately RMB92.5 million for the year ended 31 December 2020 to approximately RMB113.7 million for the year ended 31 December 2021. This was mainly due to the users spent more time using computers and other mobile devices for entertainment, and we continued to launch new online games and customized web game products on the basis of exclusive license, leading to an increased number of game players during the year of 2021.

(c) *Operation of exclusive licensed online game business*

The Group has commenced the mass operation of exclusive licensed online game business since 2020. In 2021, the Group released a total of 8 web games with exclusive licenses for operation (the end of 2020: 2 web games). Our revenue from operation of exclusive licensed online game business increased by approximately 36.8% from approximately RMB14.4 million for the year ended 31 December 2020 to approximately RMB19.7 million for the year ended 31 December 2021.

(ii) *Electronic devices sales*

Our revenue from the electronic devices sales decreased by approximately 99.1% from approximately RMB63.3 million for the year ended 31 December 2020 to approximately RMB0.6 million for the year ended 31 December 2021, which was mainly due to the Group carried out business realignment in 2021 and suspended the operation of electronic devices sales business in view of the fierce competition of the electronic devices sales industry, which resulted in lower gross profit margin of the Group for such business.

**Costs of sales and services**

The following table sets forth a breakdown of our costs of sales and services by amount and as a percentage of costs of sales and services for the years ended 31 December 2020 and 2021:

	For the year ended 31 December			
	2021		2020	
	<i>RMB' 000</i>	<i>Proportion (%)</i>	<i>RMB' 000</i>	<i>Proportion (%)</i>
<b>Online traffic monetization</b>				
Advertising and promoting	154,367	90.1	78,845	49.0
Server leasing	16,407	9.6	16,781	10.5
<b>Electronic devices sales</b>				
Certified pre-owned and factory smartphones sales	–	–	64,005	39.8
Smart accessories sales	152	0.1	803	0.5
Certified pre-owned and factory other electronic devices sales	332	0.2	313	0.2
<b>Total</b>	<b>171,258</b>	<b>100.0</b>	<b>160,747</b>	<b>100.0</b>



**(i) Online traffic monetization**

Cost of online traffic monetization business increased by approximately 78.7% from approximately RMB95.6 million for the year ended 31 December 2020 to approximately RMB170.8 million for the year ended 31 December 2021, which was mainly due to a significant increase in promotion of the domestic mobile utility software and online games in order to continue to develop the online game platforms and operate the exclusive licensed game business.

**(ii) Electronic devices sales**

Cost of electronic devices sales decreased by approximately 99.2% from approximately RMB65.1 million for the year ended 31 December 2020 to approximately RMB0.5 million for the year ended 31 December 2021, which was mainly due to the significant decrease in sales of electronic devices.

**Gross profit and gross profit margin**

The following table sets forth our gross profit and gross profit margin by business lines for the years ended 31 December 2020 and 2021:

	For the year ended 31 December			
	2021		2020	
	<i>RMB' 000</i>	<i>%</i>	<i>RMB' 000</i>	<i>%</i>
Online traffic monetization	<b>166,523</b>	<b>49.4</b>	188,934	66.4
Electronic devices sales	<b>144</b>	<b>22.9</b>	(1,780)	(2.8)
<b>Total gross profit and gross profit margin</b>	<b><u>166,667</u></b>	<b><u>49.3</u></b>	<b><u>187,154</u></b>	<b><u>53.8</u></b>

Our gross profit decreased by approximately 11.0% from approximately RMB187.2 million for the year ended 31 December 2020 to approximately RMB166.7 million for the year ended 31 December 2021, and the gross profit margins were approximately 53.8% and 49.3% for the years ended 31 December 2020 and 31 December 2021, respectively. The decrease in gross profit margin was mainly due to the increase in promotion of the domestic mobile utility software and online game businesses in 2021.

**Other income**

Other income decreased by approximately 24.3% from approximately RMB14.4 million for the year ended 31 December 2020 to approximately RMB10.9 million for the year ended 31 December 2021, which was due to the decrease in the interest income from bank deposits.

## **Other gains and losses**

Other gains and losses decreased by approximately 71.8% from losses of approximately RMB10.3 million for the year ended 31 December 2020 to losses of approximately RMB2.9 million for the year ended 31 December 2021, which was due to the increase in gains in exchange gains and losses.

## **Administrative expenses**

Administrative expenses decreased by approximately 21.0% from approximately RMB46.2 million for the year ended 31 December 2020 to approximately RMB36.5 million for the year ended 31 December 2021, which was due to the decrease in consulting services fees.

## **Research and development expenses**

Research and development expenses increased by approximately 38.7% from approximately RMB28.7 million for the year ended 31 December 2020 to approximately RMB39.8 million for the year ended 31 December 2021, which was mainly due to the increase in the average salary of our research and development staff.

## **Selling and distribution expenses**

Selling and distribution expenses increased by approximately 0.4% from approximately RMB25.0 million for the year ended 31 December 2020 to approximately RMB25.1 million for the year ended 31 December 2021, which was mainly due to the increase in the number of marketing staff and the increase in their average salary.

## **Taxation**

Taxation decreased by approximately 38.3% from approximately RMB9.8 million for the year ended 31 December 2020 to approximately RMB6.0 million for the year ended 31 December 2021, mainly due to a decrease in profit before taxation in 2021 as compared to that of 2020.

## **Profit and total comprehensive income for the year**

As a result of the foregoing, the Group's profit and total comprehensive income for the year decreased by approximately 25.2% from approximately RMB77.1 million for the year ended 31 December 2020 to approximately RMB57.7 million for the year ended 31 December 2021.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Since Listing, we have financed our cash requirements through a combination of cash generated from operating activities, the proceeds from the pre-IPO investments and the proceeds from the Listing. In the future, we expect to continue relying on cash flows generated from operations, and other debt and equity financing, in addition to the proceeds from the Listing, to fund our working capital needs and finance part of our business expansion. As at 31 December 2020 and 31 December 2021, our bank balances and cash amounted to approximately RMB369.2 million and approximately RMB385.0 million, respectively.

The Group operates in China and its functional currency is RMB. However, we are exposed to foreign currency risks due to certain bank balances, trade receivables and certain trade payables denominated in foreign currencies held by us. We believe the existing bank balances, trade receivables and certain trade payables denominated in foreign currencies expose us to limited and controllable foreign currency risks. We will continue to monitor the movements in exchange rates and will take measures to mitigate the impacts brought by movements in exchange rates if necessary.

As of 31 December 2021, we did not have any bank borrowings. Accordingly, no gearing ratio is presented.

## CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years ended 31 December 2020 and 2021:

	For the year ended	
	31 December	
	2021	2020
	<i>RMB' 000</i>	<i>RMB' 000</i>
Purchase of property and equipment	3,361	3,183
Purchase of intangible assets	1,932	4,907
Purchase of intellectual properties	—	6,182
<b>Total</b>	<b>5,293</b>	<b>14,272</b>

Our capital expenditures primarily include expenditures for purchase of property and equipment such as laboratories, servers and computers, expenditures for purchase of intangible assets such as trademarks and franchises and expenditures for purchase of intellectual properties such as copyrights of games. For the year ended 31 December 2021, we funded our capital expenditure requirements mainly from daily operation and receivables from sales and services we provided.

## **SIGNIFICANT INVESTMENTS HELD**

We had no significant investment held as at 31 December 2021.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not make any material acquisitions or disposals during the Reporting Period.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As at 31 December 2021, the Group had no future plan for material investments or capital assets.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2021, we had 233 full-time employees, all of whom are located in the PRC. Specifically, such full-time employees included 3 senior management members, 83 personnel who are responsible for sales and marketing, 121 personnel who are responsible for research and development and 26 administrative personnel.

We offer employees with competitive remuneration, performance-based bonuses and incentives. Our employees' performance is reviewed every year on the basis of, among other criteria, their ability to achieve stipulated performance targets. We place great emphasis on the training and development of our employees. We have developed a series of personalized training conferences based on our industry experience over the years. We invest in continuing education and training programs for our management personnel and other employees with a view to constantly upgrading their skills and knowledge. We also arrange internal and external professional training programs to develop our employees' skills and knowledge. These programs include further education, basic economic and financial knowledge and skills training, as well as professional development courses for our management members. New employees are required to attend induction meetings to ensure they have the necessary understanding of the Group and skills to perform their duties. In accordance with the applicable PRC laws and regulations, we have made contributions to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing provident funds for our employees.

## **PLEDGE OF ASSETS**

As at 31 December 2021, the Group did not have any pledge of assets.

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 31 December 2021, the Group did not have any significant contingent liabilities, guarantees or litigation.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group had no material events for disclosure subsequent to 31 December 2021 and up to the date of this announcement.

## **FINAL DIVIDEND**

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The Annual General Meeting will be held on 27 May 2022. The register of members of the Company will be closed from 24 May 2022 to 27 May 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the Annual General Meeting, during which period no share transfers will be registered. To be eligible to attend the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 23 May 2022.

## **COMPLIANCE WITH THE CG CODE**

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. During the Reporting Period, except for code provision A.2.1 of the CG Code (which has been re-arranged as code provision C.2.1 since 1 January 2022) the Company has complied with all the applicable code provisions as set out in Appendix 14 to the Listing Rules.

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Tian Ye currently performs these two roles concurrently. The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company to ensure appropriate and timely arrangements are in place to meet changing circumstances.

## **THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiries to all the Directors, all the Directors confirmed that they have strictly complied with the required standards as set out in the Model Code during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES**

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee, the primary duties of which are to make recommendations to the Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of the Company. The Audit Committee consists of three members, namely Mr. Zhang Ziyu, Mr. Li Yang and Mr. Wang Xinyu. The chairman of the Audit Committee is Mr. Zhang Ziyu.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2021 and agreed to the accounting principle and practices adopted by the Group.

## **SCOPE OF WORK OF THE COMPANY'S AUDITOR ON THE RESULTS ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.ludashi.com](http://www.ludashi.com)). The annual report for the year ended 31 December 2021 containing all information required by the Listing Rules will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Annual General Meeting”	the annual general meeting of the Company to be held on 27 May 2022;
“ARPU”	average revenue per user;
“Audit Committee”	the audit committee of the Board;
“Anyixun Technology”	Chengdu Anyixun Technology Company Limited* (成都安易迅科技有限公司), a limited liability company established in the PRC on 20 October 2015 and a wholly-owned subsidiary of the Company;
“Board” or “Board of Directors”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“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 on 25 November 2014 and is deemed to be a wholly-owned subsidiary of the Company pursuant to the Contractual Arrangements;
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Company” or “the Company”	360 LUDASHI HOLDINGS LIMITED (360魯大師控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3601);
“Contractual Arrangements”	a series of contractual arrangements entered into among Anyixun Technology, Chengdu Qilu and registered shareholders of Chengdu Qilu, namely Beijing Qihu Technology Company Limited* (北京奇虎科技有限公司), Mr. Tian Ye, Shanghai Songheng Network Technology Company Limited* (上海嵩恒網絡科技股份有限公司) 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);
“Director(s)”	director(s) of the Company;
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company, its subsidiaries and the PRC Operating Entities;

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRSs”	Hong Kong Financial Reporting Standards;
“HKICPA”	Hong Kong Institute of Certified Public Accountants;
“HKASs”	Hong Kong Accounting Standards;
“H5”	a markup language used for structuring and presenting content on the World Wide Web, which is the fifth and current major version of the HTML standard;
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“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 on 17 April 2017;
“Ludashi Software”	hardware and system benchmarking and monitoring software and App operated by the Group;
“MAU(s)”	monthly active user(s), a key performance indicator for software, mobile apps and online games. Monthly active users are calculated by counting the number of unique devices that activate the software, mobile apps or online games for at least once during a calendar month;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
“PC(s)”	personal computers;
“PRC Operating Entities”	collectively, Chengdu Qilu and Liu Liuyou Technology (and “PRC Operating Entity” means any one 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;
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC;
“Reporting Period”	the year ended 31 December 2021;



“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“UI”	user interface; and
“%”	per cent.

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

Hong Kong, 25 March 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.*

\* *For identification purposes only*