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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)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board is pleased to announce the unaudited interim consolidated results of the Group for the six months ended 30 June 2022. The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been reviewed by the Company's auditor in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA, and by the Audit Committee.

### SUMMARY OF RESULTS

	For the six months ended 30 June		Year-on-Year change (%)
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)	
Revenue	<b>180,627</b>	171,368	5.4
Gross profit	<b>85,079</b>	78,396	8.5
Profit for the period	<b>26,110</b>	21,905	19.2
Profit attributable to equity holders of the Company for the period	<b>23,578</b>	21,403	10.2
Earnings per share			
– Basic (in RMB cents)	<b>8.77</b>	7.96	10.2
– Diluted (in RMB cents)	<b>8.77</b>	7.96	10.2

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>180,627</b>	171,368
Costs of sales and services		<b>(95,548)</b>	(92,972)
Gross profit		<b>85,079</b>	78,396
Other income	4	<b>4,970</b>	6,405
Impairment losses under expected credit loss model, net of reversal		<b>176</b>	(7,625)
Other gains and losses	5	<b>(11,110)</b>	193
Selling and distribution expenses		<b>(11,335)</b>	(14,149)
Administrative expenses		<b>(17,159)</b>	(19,157)
Research and development expenses		<b>(19,297)</b>	(19,796)
Share of results of associates		<b>1,829</b>	(915)
Finance costs		<b>(68)</b>	(91)
Profit before taxation		<b>33,085</b>	23,261
Taxation	6	<b>(6,975)</b>	(1,356)
Profit and total comprehensive income for the period		<b>26,110</b>	21,905
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		<b>23,578</b>	21,403
Non-controlling interests		<b>2,532</b>	502
		<b>26,110</b>	21,905
Earnings per share			
Basic (in RMB cents)	8	<b>8.77</b>	7.96
Diluted (in RMB cents)	8	<b>8.77</b>	7.96

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2022**

	<i>Notes</i>	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
<b>Non-current assets</b>			
Intangible assets		3,196	3,400
Property, plant and equipment		8,555	9,188
Interests in associates		6,172	8,940
Financial assets at fair value through profit or loss ("FVTPL")		1,600	1,600
Deferred tax assets		9,591	8,416
		<u>29,114</u>	<u>31,544</u>
<b>Current assets</b>			
Trade receivables	<i>9</i>	40,613	49,869
Other receivables, deposits and prepayments	<i>10</i>	25,828	44,143
Inventories		465	480
Tax recoverable		–	225
Financial assets at FVTPL		70,000	80,353
Restricted bank deposits		–	1,100
Bank balances and cash		443,678	384,975
		<u>580,584</u>	<u>561,145</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	31,279	40,104
Contract liabilities		72	553
Lease liabilities		1,930	1,929
Income tax payable		9,555	3,893
		<u>42,836</u>	<u>46,479</u>
<b>Net current assets</b>		<u>537,748</u>	<u>514,666</u>
<b>Total assets less current liabilities</b>		<u>566,862</u>	<u>546,210</u>
<b>Capital and reserves</b>			
Share capital	<i>12</i>	2,425	2,425
Reserves		559,205	537,522
Equity attributable to owners of the Company		561,630	539,947
Non-controlling interests		4,620	5,012
<b>Total equity</b>		<u>566,250</u>	<u>544,959</u>
<b>Non-current liability</b>			
Lease liabilities		612	1,251
		<u>566,862</u>	<u>546,210</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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

### 3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of online advertising services, online game platforms, operation of exclusive licensed online game business, sales of smart accessories, and certified pre-owned and factory 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 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 and geographic information are presented.

The revenue attributable to the Group's business lines are as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Online traffic monetization</b>		
– Online advertising services	95,427	105,837
– Online game platforms	81,893	50,807
– Operation of exclusive licensed online game business	3,202	14,390
<b>Electronic devices sales</b>		
– Smart accessories sales	94	282
– Certified pre-owned and factory other electronic devices sales	11	52
Total	<u>180,627</u>	<u>171,368</u>

#### Geographical information

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
PRC	161,872	146,862
Overseas	<u>18,755</u>	<u>24,506</u>
Total	<u>180,627</u>	<u>171,368</u>

## Timing of revenue recognition

	Six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
A point in time	93,661	105,153
Over time	86,966	66,215
Total	<u>180,627</u>	<u>171,368</u>

## 4. OTHER INCOME

	Six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Government grants ( <i>Note</i> )	1,381	3,518
Interest income		
– bank deposits	2,395	1,773
– financial assets at FVTPL	1,194	1,114
	<u>4,970</u>	<u>6,405</u>

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

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Impairment loss recognised in respect of prepayments	(9,357)	–
Impairment loss recognised in respect of interest in associates	(7,597)	–
Gain on disposal of property, plant and equipment	223	–
Gain on deemed disposal of interest in an associate	–	711
Net foreign exchange gains (losses)	5,817	(694)
Others	(196)	176
	<u>(11,110)</u>	<u>193</u>

## 6. TAXATION

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Tax expense comprises:		
Current tax		
– PRC Enterprise Income Tax	7,027	1,327
– Hong Kong	1,123	531
Deferred tax	(1,175)	(502)
Total	<u>6,975</u>	<u>1,356</u>

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2022. The directors of the Company have determined that no dividend will be paid in respect of the interim period for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

## 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:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>23,578</u>	<u>21,403</u>
<b>Number of ordinary shares</b>	<b>'000</b> (unaudited)	<b>'000</b> (unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>269,000</u>	<u>269,000</u>

No diluted earnings per share for both periods was presented as there was no potential ordinary shares in issue for both periods.

## 9. TRADE RECEIVABLES

	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Trade receivables		
– related parties	7,204	6,233
– third parties	39,947	50,350
Less: allowance for credit losses	(6,538)	(6,714)
	<u>40,613</u>	<u>49,869</u>

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:

	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
0 – 90 days	29,854	35,532
91 – 180 days	6,297	10,929
Over 181 days	4,462	3,408
	<u>40,613</u>	<u>49,869</u>

The Group performs impairment assessment in respect of trade receivables under expected credit loss model. The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Other receivables		
– a related party ( <i>Note(i)</i> )	–	9,500
– third parties	10,224	8,538
Less: allowance for credit losses	(4,975)	(4,975)
Deductible value-added tax	3,022	4,961
Prepayments and deferred expenses	12,239	23,847
Interest receivables	1,194	744
Online payment platforms ( <i>Note(ii)</i> )	4,124	1,528
	<u>25,828</u>	<u>44,143</u>
Total	<u>25,828</u>	<u>44,143</u>

*Notes:*

- (i) As at 31 December 2021, the amount was unsecured, non-trade, interest-free and with a term of one year from Tianjin Qiyu Network Technology Co., Ltd.\* (天津旗魚網絡科技有限公司) (“**Tianjin Qiyu**”), which was fully settled during the period ended 30 June 2022.
- (ii) The amount is unsecured, interest-free and repayable in one day and it mainly represents receivables from third party payment platforms in respect of the Group's online game business.

## 11. TRADE AND OTHER PAYABLES

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
Trade payables		
– related parties	182	544
– third parties	13,766	13,372
Other payables	1,435	3,923
Payables arisen from online game platforms business (Note)	7,297	7,330
Payroll payable	7,936	13,588
Other tax payable	663	1,347
	<u>31,279</u>	<u>40,104</u>

### Note:

The amount is unsecured, interest-free and repayable on a monthly basis and represents payable to online game developers and operators for prepayments collected by the Group from third party game players.

The following is an aging analysis of trade payables presented based on the dates of receiving of goods and services:

	<b>30 June 2022 RMB'000 (unaudited)</b>	31 December 2021 RMB'000 (audited)
0 – 90 days	13,213	13,137
91 – 180 days	479	311
Over 180 days	256	468
Total	<u>13,948</u>	<u>13,916</u>

## 12. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share Capital</b>	
		<b>HK\$'000</b>	<b>RMB'000</b>
Ordinary shares of HK\$0.01 each Authorised:			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	<u>10,000,000,000</u>	<u>100,000</u>	<u>90,321</u>
Issued and fully paid			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	<u>269,000,000</u>	<u>2,690</u>	<u>2,425</u>

## **BUSINESS REVIEW AND OUTLOOK**

### **Business Review**

During the first half of 2022, the globe had been continuously affected by the COVID-19 epidemic (the “**Epidemic**”), and certain major cities in China have successively adopted lockdown measures to prevent a widespread outbreak of the Epidemic. As the global economy as a whole has not recovered to the level before the Epidemic, the recovery of the domestic economy is remained under pressure and the overall market was still sluggish. The advertising promotion budgets of clients from PCs of the Group have been decreasing significantly since 2020, and the number of advertisements and the amount of advertising expenses of them have yet recovered to the level before the Epidemic, thus resulting in the continued decrease in the income of our online advertising services from PCs. Nonetheless, through developing the online game platforms business, expanding the overseas business for mobile devices, and continuously enriching our domestic product matrix for mobile devices and exploring enterprise business segment, the Group obtained new growth points and achieved the increase in the net profit of the Group.

During the first half of 2022, the Group continued to focus on the development of its online traffic monetization business. Through upgrading and iteration of our products as well as research and development and launch of new products, the stickiness of users of our online advertising services have increased and the matrix of our utility products has been enriched. As for our online game business including the operation of online game platforms and operation of exclusive licensed online game business, we acquired new gamers and expanded our user base by continuously launching attractive new games and marketing and promotional campaigns.

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 business. In particular, our utility software, “Ludashi Software”, a well-known brand and software in China and elsewhere in the world with a specialty in PC and smartphone hardware and system benchmarking and monitoring, has accumulated a large user base through providing free download and installation. Meanwhile, we are committed to the research and development and advertising of various utility software for mobile devices in the domestic market, from which we have accumulated a vast number of active users. Due to the decrease in the Group’s revenue from the PC version of Ludashi Software, the Group adjusted its marketing strategy accordingly and reduced the promotion expenditure in this business segment, which resulted in decrease in the number of our MAUs. As at 30 June 2022, the MAUs of all our PC and mobile device utility software amounted to approximately 148.37 million.

In the first half of 2022, the PC version of Ludashi Software successively launched new services and functions, including Dashi Ranking and Desktop Hardware Monitoring Panel. In particular, Dashi Ranking is a user hardware scoring list published in Ludashi Software to satisfy normal users' demand for extraordinary performance of computers; Desktop Hardware Monitoring Panel can help users to learn about the working condition of computer hardware from the desktop in real time, then reducing the steps needed for users to obtain relevant information and enriching services under different scenarios. In addition, with the upgrade of electronic hardware, the Group launched AImark 3.0 to better realize consistent model testing of the performance of the hardware of different PCs, mobile devices and other products and enable users to assess the performance of the electronic hardware in a more reasonable manner. In the future, in light of the development of the industry and the performance of hardware, the Group will continue to iterate the functions of our products and actively explore more business development directions to provide more useful and valuable functions and services to our users.

Since the official launch of Ludashi Pro software, it has been committed to keeping up with the needs of the market. We have developed various new functions and continuously optimized the platform by cooperating with renowned hardware manufacturers to improve user experience. 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. Currently, we mainly provide information technology (“IT”) solutions to customers in three major fields, including enterprise application, household application and industry application. Moreover, Ludashi Pro software provides comprehensive computer management and control capabilities for esports hotel industry customers, which have been well recognized by such customers. In the future, we will devote more efforts to marketing and promotion and provide more value-added services to different categories of customers to satisfy the demands of users under more different business scenarios so as to further enhance the value of Ludashi Pro software in the industry.

In the first half of 2022, the Group continued to launch high-quality online game products covering three H5 ports (PC, web and mobile device) to ensure that users can have better gaming experience. With the advantage of covering all the three ports of H5 products, nearly one-third of the users have installed the mobile APP of online games of the Group and made payments through their mobile devices, significantly improving our user stickiness. In the first half of 2022, the main objective of our online game business was to expand the scale of online traffic purchase, as a result of which the number of new users and active users increased by over 15% year-on-year, respectively. In the second half of 2022, we will continue to launch new online games and obtain more high quality users.

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 of 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. Currently, the Group focuses on role-playing game category for its domestic online game products and card game and business simulation game categories for overseas online game products. In the first half of 2022, the Group promoted the existing online games through online traffic purchase to continuously expand our user base. In the second half of 2022, the Group plans to launch more online games, covering categories such as business operation simulation game, role-playing game, casual competitive game, card game, quadratic element game and others.

In the first half of 2022, Ludashi continued to develop its electric vehicle benchmarking business, and completed the iteration and upgrading of the electric vehicle (bicycle) benchmarking standard 2.0. The Group, together with third parties, published a number of research report relating to the electric vehicle industry, which further established its authority in the industry and provided new opportunities for cooperating with relevant players in the electric vehicle industry. In the field of new energy vehicle, by organizing summer technology seminar, the Group has issued brand new intelligent benchmarking standards for new energy vehicles, and the Group is also seeking to establish cooperation with renowned enterprises in the automotive industry with a view to diversify its business.

## **Outlook**

Looking forward to the second half of 2022, the Epidemic may persist for a period of time and there will still be uncertainties and major challenges in macroeconomic and social development. While it is hoped that the impact of the Epidemic on the world will stabilize as soon as possible, the business of the Group may continuously be directly or indirectly affected by the Epidemic in the future, resulting in uncertainties in our overall revenue. The Group will continue to develop our existing principal business, consolidate the quality of our growth, enhance the quality of our products and services, and will also make every effort to explore new business opportunities, including but not limited to developing the exclusive licensed online game business, continuously enriching domestic and overseas product matrix for mobile devices and exploring enterprise business segment, in order to achieve the long term, healthy, sound and sustainable development of the Group.

The Group will further increase the user number and stickiness of our utility software and online game business through continued efforts to actively improve our software products and enrich 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, we will, through stabilizing the relationship with our suppliers, customers and users, strive to increase our operating revenue and profitability and continue to create greater value for our Shareholders and investors.

In the second half of 2022, the Group will continue to implement the following strategies to strive to become a reliable hardware expert and leading internet company:

- update and iterate the PC version of Ludashi Software on an on-going basis, and proactively improve our product features 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 Ludashi Pro software. We will optimize the cloud-based enterprise remote office management platform, which can synchronize software and documents in office computers, to serve customers with various needs;
- develop various types of online games on an on-going basis, continue to explore new distribution strategies for our premium products, and keep distributing and operating our exclusive licensed online games in China and overseas;
- constantly expand the scale of promotion investment in online game business, combine the online game traffic direction business with online game distribution 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, and stabilize the overseas markets by strengthening our research and development capability, and enhance our brand image as a reliable hardware expert; and
- continue to attract and retain talents and professionals, and form strategic alliances with business partners 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 generated from online advertising services, online game platforms and operation of exclusive licensed online game business. The revenue from electronic devices sales mainly includes revenue from sales of smart accessories.

Our revenue increased by approximately 5.4% from approximately RMB171.4 million for the six months ended 30 June 2021 to approximately RMB180.6 million for the six months ended 30 June 2022. Such increase was mainly due to an online game launched by our online game platforms went viral and has achieved excellent market response.

The following table sets forth our segment revenue by amount and as a percentage of our revenue for the six months ended 30 June 2021 and 2022:

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i> (unaudited)	<i>Proportion</i> (%)	<i>RMB'000</i> (unaudited)	<i>Proportion</i> (%)
<b>Online traffic monetization</b>				
Online advertising services	95,427	52.8	105,837	61.8
Online game platforms	81,893	45.3	50,807	29.6
Operation of exclusive licensed online game business	3,202	1.8	14,390	8.4
<b>Electronic devices sales</b>				
Smart accessories sales	94	0.1	282	0.2
Certified pre-owned and factory other electronic devices sales	11	0.0	52	0.0
<b>Total</b>	<b>180,627</b>	<b>100.0</b>	<b>171,368</b>	<b>100.0</b>

**(i) Online traffic monetization**

**(a) Online advertising services**

Our revenue from online advertising services decreased by approximately 9.8% from approximately RMB105.8 million for the six months ended 30 June 2021 to approximately RMB95.4 million for the six months ended 30 June 2022. Such decrease was mainly due to the impact of the Epidemic, the advertising promotion budgets of clients from PCs 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 revenue from online advertising services from PCs of the Group.

**(b) Online game platforms**

Our revenue from online game platforms increased by approximately 61.2% from approximately RMB50.8 million for the six months ended 30 June 2021 to approximately RMB81.9 million for the six months ended 30 June 2022. Such increase was mainly because a game launched by the Group in the second half of 2021 has achieved excellent market response, and both the number of paying users and ARPU increased.

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

Our revenue from operation of exclusive licensed online game business decreased by approximately 77.8% from approximately RMB14.4 million for the six months ended 30 June 2021 to approximately RMB3.2 million for the six months ended 30 June 2022. Such decrease was mainly because of the slowdown in the overall development progress of online games in cooperation with online game development companies due to the impact of the Epidemic. The Group expects to launch 3 exclusive licensed online games in the second half of 2022.

**(ii) Electronic devices sales**

Our revenue from the electronic devices sales decreased by approximately 66.7% from approximately RMB0.3 million for the six months ended 30 June 2021 to approximately RMB0.1 million for the six months ended 30 June 2022, which was mainly because the Group has carried out business realignment and suspended the operation of the electronic devices sales business since the first half of 2021.

## 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 six months ended 30 June 2021 and 2022:

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i> (unaudited)	<i>Proportion</i> (%)	<i>RMB'000</i> (unaudited)	<i>Proportion</i> (%)
<b>Online traffic monetization</b>				
Advertising and promoting	90,065	94.3	84,621	91.0
Server leasing	5,404	5.6	8,178	8.8
<b>Electronic devices sales</b>				
Smart accessories sales	74	0.1	102	0.1
Certified pre-owned and factory other electronic devices sales	5	0.0	71	0.1
<b>Total</b>	<b>95,548</b>	<b>100.0</b>	<b>92,972</b>	<b>100.0</b>

### (i) *Online traffic monetization*

Cost of online traffic monetization business increased by approximately 2.9% from approximately RMB92.8 million for the six months ended 30 June 2021 to approximately RMB95.5 million for the six months ended 30 June 2022, which was mainly due to the increase in the promotion costs for online games launched on online game platforms.

### (ii) *Electronic devices sales*

Cost of electronic devices sales decreased by approximately 50.0% from approximately RMB0.2 million for the six months ended 30 June 2021 to approximately RMB0.1 million for the six months ended 30 June 2022, which was mainly due to the significant decrease in the sales volume of electronic devices.

## Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by business line for the six months ended 30 June 2021 and 2022:

	For the six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Online traffic monetization	<b>85,053</b>	<b>47.1</b>	78,235	45.7
Electronic devices sales	<b>26</b>	<b>24.8</b>	161	48.2
<b>Total gross profit and gross profit margin</b>	<b>85,079</b>	<b>47.1</b>	<b>78,396</b>	<b>45.7</b>

Our gross profit increased by approximately 8.5% from approximately RMB78.4 million for the six months ended 30 June 2021 to approximately RMB85.1 million for the six months ended 30 June 2022, and the gross profit margin was approximately 45.7% and 47.1% for the six months ended 30 June 2021 and 2022, respectively. The increase in gross profit margin was mainly due to the increase of the proportion of online game platforms business which has higher gross profit margin.

## Other income

Other income decreased by approximately 21.9% from approximately RMB6.4 million for the six months ended 30 June 2021 to approximately RMB5.0 million for the six months ended 30 June 2022, which was mainly due to the decrease in government grants.

## Other gains and losses

Other gains and losses decreased by over 100.0% from other gains of approximately RMB0.2 million for the six months ended 30 June 2021 to other losses of approximately RMB11.1 million for the six months ended 30 June 2022, which was mainly due to the provision made for the impairment of the investment amount of the three associates we invested in previous years and the provision made for the prepayments paid but not expected to be recovered.

## Administrative expenses

Administrative expenses decreased by approximately 10.4% from approximately RMB19.2 million for the six months ended 30 June 2021 to approximately RMB17.2 million for the six months ended 30 June 2022, which was mainly due to the decrease in consulting services fees and the decrease in the average salary of our administrative staff.

## Research and development expenses

Research and development expenses decreased by approximately 2.5% from approximately RMB19.8 million for the six months ended 30 June 2021 to approximately RMB19.3 million for the six months ended 30 June 2022, which was mainly due to the decrease in the average salary of our research and development staff.

## **Selling and distribution expenses**

Selling and distribution expenses decreased by approximately 19.9% from approximately RMB14.1 million for the six months ended 30 June 2021 to approximately RMB11.3 million for the six months ended 30 June 2022, which was mainly due to the overall decrease in marketing and promotion expenses.

## **Taxation**

Taxation increased by over 100.0% from approximately RMB1.4 million for the six months ended 30 June 2021 to approximately RMB7.0 million for the six months ended 30 June 2022. Such increase was mainly due to the higher consolidated entity income tax rate resulting from the increase in net profit of our subsidiaries which were subject to a higher tax rate in the first half of 2022 and the substantial increase in profit before taxation attributable to the online game business segment in the first half of 2022, resulting in higher tax liability imposed.

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

As a result of the foregoing, the profit and total comprehensive income for the period increased by approximately 19.2% from approximately RMB21.9 million for the six months ended 30 June 2021 to approximately RMB26.1 million for the six months ended 30 June 2022.

## **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 to rely 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 2021 and 30 June 2022, our bank balances and cash amounted to approximately RMB385.0 million and approximately RMB443.7 million, respectively.

The Group mainly 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 payables denominated in foreign currencies held by us. We believe the existing bank balances, trade receivables and certain 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 at 30 June 2022, 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 year ended 31 December 2021 and for the six months ended 30 June 2022:

	<b>For the six months ended 30 June 2022 RMB'000 (unaudited)</b>	For the year ended 31 December 2021 RMB'000 (audited)
Purchase of property and equipment	2,663	3,361
Purchase of intangible assets	—	1,932
<b>Total</b>	<b>2,663</b>	<b>5,293</b>

Our capital expenditures primarily include expenditures for purchase of property and equipment such as laboratories, servers and computers and expenditures for purchase of intangible assets such as trademarks and franchises.

## SIGNIFICANT INVESTMENTS HELD

In order to effectively utilize the Group's idle funds and generate better returns, the Group has from time to time subscribed principal-guaranteed structured deposit products issued by reputable commercial bank with its idle funds.

These structured deposit products subscribed by the Group (the “**Structured Deposit Products**”) are fully principal-guaranteed with minimal risks involved and their returns are relatively high as compared with the deposit interest rates generally offered by commercial banks in the PRC. The Structured Deposit Products were funded by the Group's idle funds with a relatively short term which would not affect the operational liquidity of the Group.

During the Reporting Period, the Group held 6 Structured Deposit Products offered by China Merchants Bank, details of which are as follows:

### i. The Structured Deposit Product Agreement XV

Date: 18 February 2022

Product: Gold-linked Series Bullish Three-tier 88-day Structured Deposit of China Merchants Bank\* (招商銀行點金系列看漲三層區間88天結構性存款)

Parties: Anyixun Technology and China Merchants Bank

Amount of the deposit: RMB30 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.59% to 3.20%

Term of the deposit: 88 days

Value date: 21 February 2022

Expiry date: 20 May 2022

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Anyixun Technology has no right of early termination or redemption of the product

## **ii. The Structured Deposit Product Agreement XVI**

Date: 25 February 2022

Product: Gold-linked Series Progressive Bullish Two-tier 88-day Structured Deposit of China Merchants Bank\* (招商銀行點金系列進取型看漲兩層區間88天結構性存款)

Parties: Chengdu Qilu and China Merchants Bank

Amount of the deposit: RMB30 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.65% to 3.06%

Term of the deposit: 88 days

Value date: 28 February 2022

Expiry date: 27 May 2022

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Chengdu Qilu has no right of early termination or redemption of the product

### **iii. The Structured Deposit Product Agreement XVII**

Date: 3 March 2022

Product: Gold-linked Series Bullish Three-tier 84-day Structured Deposit of China Merchants Bank\* (招商銀行點金系列看漲三層區間84天結構性存款)

Parties: Liu Liuyou Technology and China Merchants Bank

Amount of the deposit: RMB20 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.65% to 3.20%

Term of the deposit: 84 days

Value date: 7 March 2022

Expiry date: 30 May 2022

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Liu Liuyou Technology has no right of early termination or redemption of the product

### **iv. The Structured Deposit Product Agreement XVIII**

Date: 31 May 2022

Product: Gold-linked Series Bearish Two-tier 92-day Structured Deposit of China Merchants Bank\* (招商銀行點金系列看跌兩層區間92天結構性存款)

Parties: Anyixun Technology and China Merchants Bank

Amount of the deposit: RMB20 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.85% to 3.10%

Term of the deposit: 92 days

Value date: 1 June 2022

Expiry date: 1 September 2022

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Anyixun Technology has no right of early termination or redemption of the product

**v. The Structured Deposit Product Agreement XX**

Date: 13 June 2022

Product: Gold-linked Series Bearish Two-tier 92-day Structured Deposit of China Merchants Bank\* (招商銀行點金系列看跌兩層區間92天結構性存款)

Parties: Chengdu Qilu and China Merchants Bank

Amount of the deposit: RMB30 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.85% to 3.05%

Term of the deposit: 92 days

Value date: 15 June 2022

Expiry date: 15 September 2022

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Chengdu Qilu has no right of early termination or redemption of the product

**vi. The Structured Deposit Product Agreement XXI**

Date: 28 June 2022

Product: Gold-linked Series Bearish Three-tier 92-day Structured Deposit of China Merchants Bank\* (招商銀行點金系列看跌三層區間92天結構性存款)

Parties: Liu Liyou Technology and China Merchants Bank

Amount of the deposit: RMB20 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.85% to 3.20%

Term of the deposit: 92 days

Value date: 29 June 2022

Expiry date: 29 September 2022

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Liu Liuyou Technology has no right of early termination or redemption of the product

As at 30 June 2022, the Structured Deposit Product Agreement XV, Structured Deposit Product Agreement XVI and Structured Deposit Product Agreement XVII have expired and the total amount of the actual interest received from these matured Structured Deposit Products, was RMB216,986.30, RMB221,326.03 and RMB138,082.19, respectively.

As at 30 June 2022, the outstanding Structured Deposit Products amounted to RMB70 million.

Save as disclosed in this announcement, there were no other significant investments held during the Reporting Period.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not have any significant acquisition and disposal during the Reporting Period.

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

As at 30 June 2022, the Group had no future plan for material investments or capital assets.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2022, we had 218 full-time employees, all of whom are located in the PRC. Specifically, such full-time employees included 3 senior management members, 86 employees who are responsible for sales and marketing, 108 employees who are responsible for research and development and 21 administrative employees.

We offer employees 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 personnel. New employees are required to attend induction meetings to ensure they have understanding of the Group and the necessary 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 30 June 2022, the Group did not have any pledge of assets.

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 30 June 2022, the Group did not have any significant contingent liabilities, guarantees or any litigations.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group had no material events for disclosure subsequent to 30 June 2022 and up to the date of this announcement.

## **INTERIM DIVIDEND**

The Board has resolved not to pay the interim dividend for the six months ended 30 June 2022.

## **COMPLIANCE WITH 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 C.2.1 of the CG Code, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

Pursuant to code provision C.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 throughout 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 our 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 unaudited interim results of the Group for the six months ended 30 June 2022.

In addition, the auditor has reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

This interim 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 2022 interim report containing all the information required by the Listing Rules will be dispatched to Shareholders in due course and published on the websites of the Stock Exchange and the Company.

### **DEFINITIONS**

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

“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”	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, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“China Merchants Bank”	China Merchants Bank Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600036) and the Main Board of the Stock Exchange (stock code: 3968);
“Company” or “our 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 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 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,” “we,” “our,” “us,” or “our Group”	the Company, its subsidiaries and the PRC Operating Entities;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS(s)”	Hong Kong Financial Reporting Standards;
“HKAS(s)”	Hong Kong Accounting Standards;
“HKICPA”	the Hong Kong Institute of Certified Public Accountants;
“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 our Group;
“MAU(s)”	monthly active user(s), a key performance indicator for software, Apps and online games. Monthly active users are calculated by counting the number of unique devices that activate the software, 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 computer(s);

“PRC Operating Entities”	collectively, Chengdu Qilu, Liu Liuyou Technology, Chengdu Mijiayou Technology Company Limited* (成都米加遊科技有限公司) and Chengdu Xiaolu Chexun Information Technology Company Limited* (成都小魯車訊科技有限公司) (and the “ <b>PRC Operating Entity</b> ” 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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Reporting Period”	the six months ended 30 June 2022;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any subsidiary legislation made thereunder, as amended, consolidated or substituted from time to time;
“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; and
“%”	per cent.

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

Hong Kong, 26 August 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 purpose only*