



鲁大师

360 LUDASHI HOLDINGS LIMITED
鲁大师控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 3601

▶ **2022 INTERIM REPORT** ◀



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CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive Directors

Mr. Tian Ye (*Chairman*)

Mr. He Shiwei

Non-executive Directors

Mr. Sun Chunfeng

Mr. Liu Wei

Mr. Zhao Dan

Independent non-executive Directors

Mr. Li Yang

Mr. Wang Xinyu

Mr. Zhang Ziyu

AUDIT COMMITTEE

Mr. Zhang Ziyu (*Chairman*)

Mr. Li Yang

Mr. Wang Xinyu

NOMINATION COMMITTEE

Mr. Tian Ye (*Chairman*)

Mr. Li Yang

Mr. Wang Xinyu

REMUNERATION COMMITTEE

Mr. Wang Xinyu (*Chairman*)

Mr. Tian Ye

Mr. Zhang Ziyu

COMPANY SECRETARY

Mr. Cheng Ching Kit

AUTHORIZED REPRESENTATIVES

Mr. Tian Ye

Mr. Cheng Ching Kit

AUDITOR

Deloitte Touche Tohmatsu

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

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Hong Kong

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Grand Cayman KY1-1111

Cayman Islands

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Chengdu, Sichuan Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong

LEGAL ADVISERS

As to Hong Kong laws:

Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:

Llinks Law Offices
19F, One Lujiazui
68 Yin Cheng Road Middle
Shanghai, PRC

As to Cayman Islands laws:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

China Merchants Bank Chengdu Tianfudadao
Sub-Branch

STOCK CODE

3601

COMPANY WEBSITE

www.ludashi.com



MANAGEMENT DISCUSSION AND ANALYSIS

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/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 Almark 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> (%)
Online traffic monetization				
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
Electronic devices sales				
Smart accessories sales	94	0.1	282	0.2
Certified pre-owned and factory other electronic devices sales	11	0.0	52	0.0
Total	180,627	100.0	171,368	100.0

(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	
	RMB'000 (unaudited)	Proportion (%)	RMB'000 (unaudited)	Proportion (%)
Online traffic monetization				
Advertising and promoting	90,065	94.3	84,621	91.0
Server leasing	5,404	5.6	8,178	8.8
Electronic devices sales				
Smart accessories sales	74	0.1	102	0.1
Certified pre-owned and factory other electronic devices sales	5	0.0	71	0.1
Total	95,548	100.0	92,972	100.0

(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	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Online traffic monetization	85,053	47.1	78,235	45.7
Electronic devices sales	26	24.8	161	48.2
Total gross profit and gross profit margin	85,079	47.1	78,396	45.7

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:

	For the six months ended 30 June 2022 RMB'000 (unaudited)	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
Total	2,663	5,293

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 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: 1.65% 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 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: 1.85% 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 report, 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 report.

INTERIM DIVIDEND

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

COMPLIANCE WITH THE CG CODE

The Company is committed to maintaining and ensuring a high standard of corporate governance practices and the corporate governance principles adopted by the Company are in the interests of the Company and its Shareholders.

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.

During the Reporting Period, save as disclosed above, the Company has complied with all the code provisions under the CG Code as set forth in Appendix 14 to the Listing Rules.

BOARD DIVERSITY

In order to achieve sustainable and balanced development, the Group has adopted the board diversity policy (the “**Board Diversity Policy**”). The Company is of the view that increasing diversity at the Board level is a key element in supporting its strategic objectives and sustainable development. In determining the composition of the Board, the Company will consider the diversity of Board members from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The policy is outlined as follows:

The Nomination Committee will discuss annually and agree to measurable objectives for the implementation of the Board Diversity Policy and make recommendations to the Board for adoption.

Selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The composition of the Board will be disclosed annually in the corporate governance report of the Company.

The Nomination Committee will report annually, in the corporate governance report of the Company, on the Board’s composition in diversified perspectives, monitor the implementation of the Board Diversity Policy, and will review this policy in due course to ensure its effectiveness.

The Board comprises eight members, including two executive Directors, three non-executive Directors and three independent non-executive Directors. The Directors have a balanced mix of experiences, including business management, strategic development, direct selling and social commerce, public administration and management, finance, auditing and accounting experiences. The Board members also obtained degrees or diplomas in various majors, including computer science, computer information management, science, marketing, industrial electronic automation, systems engineering and business administration. Furthermore, the ages of the Directors range from 30 years old to 50 years old.

The Nomination Committee recognizes that gender diversity at the Board level can be improved given its current composition of all-male Directors. As disclosed in the Prospectus and the 2021 annual report published by the Company on 25 April 2022 (the “**2021 Annual Report**”), the Company recognized that gender diversity of our Board can be further improved given its current composition of all-male Directors and aimed to introduce at least one female Board member to our Board by the end of 2022 (the “**Diversity Promise**”). However, as at the date of this interim report, the Company anticipates that the Diversity Promise could not be met by the end of 2022 due to the following reasons:

It is not in the interests of the Company and Shareholders as a whole to hire an additional Director in view of the macroeconomic environment

Since 2021, the international environment has remained complex, changing and volatile. The resurgence of the Epidemic, which has lasted for more than two years, has materially affected the overall economic situation, resulting in the continuous decline in the Group's net profit since 2020. Despite of the Group's net profit for the six months ended 30 June 2022 increased as compared to the same period in 2021, such increase was mainly because an online game released by the Group in the second half of 2021 achieved positive market response, and we cannot guarantee that revenue from online games to be launched afterwards will achieve similarly positive market response. In response to emergencies and macroeconomic uncertainties in the future, the Group has decided to adopt a relatively prudent business expansion plan and adjust the average salaries for administrative and research and development staff in order to retain more working capital. Based on the Company's current remuneration policies for the Directors and senior management, the additional hire of a Director would substantially increase the staff cost of the Company, thereby imposing a heavier financial burden on the Company and will be inconsistent with the current development plan of the Group. In addition, as the existing Directors already have a deep understanding of the business of the Company and have been actively fulfilling their obligations as Directors since their appointment, we consider that replacing any existing Director with a female director may adversely affect the stable and positive development of the Company. In this respect, we believe that it is not in the interests of the Company and its Shareholders as a whole to hire an additional Director or replace an existing Board member with a female director in 2022.

Scarcity of suitable female candidates in the internet industry

As disclosed in the 2021 Annual Report, during the process of selecting female candidates for appointment to the Board, the Company places much emphasis on the relevant internet industry experience and knowledges, especially expertise in the development of benchmarking and monitoring software, being one of the principal businesses of the Group, which is a relatively niche business in the internet industry. Nonetheless, the Company always strives to look for suitable female candidates for directorship. Since its listing, the Company has contacted or interviewed more than ten potential female candidates in the internet industry, and starting from 2021, we have hired female staff with experience in the management of well-known internet companies as reserve candidates for directorship, but failed to reach consensus on the Company's future development philosophy with them. Therefore, such proposed internal promotion was not successful, which is also one of the important reasons why the Company anticipates that the Diversity Promise could not be met by the end of 2022.

Nevertheless, in order to implement the strategic goal on the Board diversity of the Company, we will continue to actively identify suitable female candidates for directorship. While urging the Directors and senior management to look for suitable female candidates for directorship more proactively, the Company will continue to establish cooperation with external headhunters to enhance the efforts in soliciting suitable female candidates for directorship. At the same time, the Company will continue to look for female candidates for directorship through internal promotions. Since 2021, the online game business of the Group increasingly contributed to the Group's revenue and has become one of its important business directions. As a field with great development potential, the female online game player market has become an important target market of major game development and operating companies, and it is also a market that the Group will vigorously explore in the near future. We believe that female business executives can better understand the needs of female online games market and the needs of female gamers and provide more effective support for the Group's business development. The Company is actively looking for a female business executive who is qualified for this role, and we believe that if this segment of business is successful, the female business executive will also become one of the key female candidates for directorship. Therefore, the Company believes that it is critical for the future growth of the Company to look for and develop a female director who is proficient in the online gaming industry and can contribute to its business. If the Company fails to look for suitable female candidates for directorship at the business level, we will consider to introduce female directors to the Board as non-executive Directors or independent non-executive Directors to provide the Company with more diversified business advices and supervision.

In order to honor the Diversity Promise and comply with Rule 13.92 of the Listing Rules, the Company will introduce at least one female Board member to the Board on or before 31 December 2024, through the enhanced efforts in identifying suitable female candidates for directorship.

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, 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.

CHANGE IN DIRECTORS' INFORMATION

There is no change in information on the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Foreign investment activities in China are mainly regulated by the Administrative Measures and Industry Catalogue. The Administrative Measures and Industry Catalogue divides industries for foreign investments into three categories, namely “encouraged”, “restricted” and “prohibited”, and all industries not listed in any of such categories are deemed as “permitted”. The Group is principally engaged in online monetization in the form of online advertising and online game business, and the online game business operations are subject to the foreign investment restrictions according to the relevant PRC laws and regulations. As such, the Group operates its online game business through the PRC Operating Entities. The Group does not directly own any equity interest in Chengdu Qilu, which is held by the Relevant Shareholders, namely (i) Qihu Technology (41.6667%); (ii) Mr. Tian Ye (28.1155%); (iii) Shanghai Songheng (23.8095%); and (iv) Qilu Haochen (6.4083%).

In order to comply with the PRC laws and regulations and to maintain effective control over the operations of the PRC Operating Entities, WFOE entered into the Contractual Arrangements with Chengdu Qilu and the Relevant Shareholders (being the registered shareholders of Chengdu Qilu) (where applicable). Under the Contractual Arrangements, WFOE has acquired effective control over the financial and operational policies of the PRC Operating Entities and is entitled to all the economic benefits derived from their operations, as the Contractual Arrangements allow the results of operations and assets and liabilities of Chengdu Qilu and its subsidiaries to be consolidated into our results of operations and assets and liabilities under HKFRS as if they were wholly-owned subsidiaries of the Group.

In addition, under the current applicable PRC laws and regulations, a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must also demonstrate a good track record and operating experience in providing value-added telecommunications services overseas (the “**Qualification Requirements**”).

Insofar as the Directors are aware, as at the date of this report, the Company has taken all reasonable steps to ensure that such Qualification Requirements are met if and when the PRC laws and competent authorities substantively allow foreign investors to invest in value-added telecommunications services or internet cultural business in the PRC. The Company will continue to communicate with the relevant governmental authorities and provide updates where necessary. We will unwind and terminate the Contractual Arrangements wholly or partially once our business is no longer prohibited or restricted from foreign investment.

Business Overview of the PRC Operating Entities

Both of Chengdu Qilu and Liu Liuyou Technology are the PRC Operating Entities principally engaged in the online game operation.

The PRC Operating Entities hold certain licenses and permits required for the operation of abovementioned business, referred to as the "Internet Content Provider License". Our WFOE, namely Anyixun Technology, entered into the Contractual Arrangements with the PRC Operating Entities and the Relevant Shareholders, where applicable, in order to conduct the business of online game operation in the PRC and to assert management control over the operations of, and enjoy all economic benefits from, each of the PRC Operating Entities. Pursuant to the Contractual Arrangements, all substantial and material business decisions of the PRC Operating Entities will be instructed and supervised by the Group, through Chengdu Qilu, and all risks arising from the business of the PRC Operating Entities are also effectively borne by Chengdu Qilu.

Risks Relating to the Contractual Arrangements and Measures Taken by the Company to Mitigate Risks

Risks Relating to the Contractual Arrangements

- In order to comply with the PRC laws and regulations limiting foreign ownership of internet businesses, we conduct our business through our PRC Operating Entities by way of Contractual Arrangements. If the PRC Government determines that these Contractual Arrangements do not comply with applicable regulations, our business could be materially and adversely affected.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law of the PRC and its implementation rules and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- The Contractual Arrangements may not be as effective in providing operational control as direct ownership and Chengdu Qilu or its shareholders may fail to perform their obligations under the Contractual Arrangements.
- We may lose the ability to use and enjoy assets and licenses held by Chengdu Qilu and its subsidiaries that are material to the operation of our business if Chengdu Qilu or its subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of investment of the Shareholders.
- Shareholders of Chengdu Qilu may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

- We conduct our business operation in the PRC through Chengdu Qilu and its subsidiaries by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws.
- If we exercise the option to acquire equity ownership of Chengdu Qilu, the ownership transfer may subject us to certain limitations and substantial costs.

Further details of these risks are set out in the section headed “Risk Factors – Risks Relating to Our Contractual Arrangements” on pages 63 to 70 of the Prospectus.

Measures Taken by the Company to Mitigate Risks

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (b) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) the Company will annually disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and
- (d) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of WFOE and the PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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, oversee the financial reporting system, risk management and internal control systems of the Company and perform corporate governance procedures 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, including the accounting principles and practices adopted by the Group, and the Group’s internal control functions.

In addition, the external auditor of the Company 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 HKICPA.

USE OF NET PROCEEDS FROM THE LISTING

The Company was listed on the Main Board of the Stock Exchange on 10 October 2019 and the net proceeds of the Company raised from the Listing were approximately HK\$123.1 million after deducting underwriting commissions and related expenses (the "Net Proceeds"). We will continue to utilize the Net Proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. An analysis of the intended application of the Net Proceeds as stated in the Prospectus and the actual utilization of the Net Proceeds up to 30 June 2022 is set out below:

Purposes	Allocation of Net Proceeds (HK\$ million)	Net balance	Utilized Net	Net balance	Timeframe for utilization of the balance of the Net Proceeds (HK\$ million)
		of the Net Proceeds as at 31 December 2021 (HK\$ million)	Proceeds for the six months ended 30 June 2022 (HK\$ million)	of the Net Proceeds as at 30 June 2022 (HK\$ million)	
(i) to enhance the Group's research and development capability	36.9	18.4	5.3	13.1	On or before 31 December 2023
(ii) to advertise and promote Ludashi Software and related software and products on the third parties' electronic platforms, and continue to carry out the Group's existing marketing plans	24.6	14.6	3.3	11.3	On or before 31 December 2023
(iii) to enhance the Group's own certified pre-owned and factory smartphones e-commerce platform and offline sales channel	24.6	17.6	-	17.6	On or before 31 December 2023
(iv) to make additional strategic investments and acquisitions in cash alone or in combination with equity	24.6	-	-	-	N/A
(v) for our working capital and general corporate purposes	12.4	1.9	1.2	0.7	On or before 31 December 2022

As there were intense competition in electronic devices sales industry, and our Group recorded a relatively low gross profit margin for such business for the whole time, our Group carried out business realignment in 2021 and suspended the operation of such business. Therefore, no Net Proceeds was used for the purpose of enhancing the Group's own certified pre-owned and factory smartphones e-commerce platform and offline sales channel since the business realignment by the Group in 2021.

Save as disclosed above, during the Reporting Period, the Net Proceeds had been applied in accordance with the allocations and purposes as stated in the Prospectus and were expected to be used in accordance with the allocations and purposes as set forth above.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 9 September 2019 which took effect upon Listing, under which certain selected employees (including, among others, Directors and full-time employees) may be granted options to subscribe for the Shares to motivate them to optimize their future contributions to the Group. For more details, please refer to the section headed "Directors' Report" of the 2021 Annual Report.

During the six months ended 30 June 2022, no options had been granted, exercised, cancelled or lapsed under the Share Option Scheme, nor any options were outstanding under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in the Shares

Name of Directors/Chief Executive	Capacity	Nature of Interests	Number of Shares	Approximate Percentage of the Issued Share Capital of the Company (%)
Mr. Tian Ye ¹	Interest in controlled corporations	Long position	128,664,057	47.83
Mr. He Shiwei ²	Interest in controlled corporations	Long position	2,342,712	0.87

Notes:

1. Dashi Technology Holdings and True Thrive hold approximately 17.07% and 30.76% of the issued share capital of the Company, respectively. Pursuant to the Entrustment Arrangements under the Company Shareholder Rights Entrustment Agreement and the Chengdu Qilu Shareholder Rights Entrustment Agreement, True Thrive has entrusted its shareholder rights including its voting power at general meetings with respect to its shareholding in the Company to Dashi Technology Holdings. Dashi Technology Holdings is deemed to be interested in all the Shares and voting rights held by True Thrive. Dashi Technology Holdings is directly and wholly owned by Mr. Tian Ye who is therefore deemed to be interested in all the Shares held by Dashi Technology Holdings.
2. Hongmeng Investment holds 0.87% of the issued share capital of the Company. Hongmeng Investment is directly and wholly owned by Mr. He Shiwei. Mr. He Shiwei is therefore deemed to be interested in all the Shares held by Hongmeng Investment.

Save as disclosed above, as at 30 June 2022, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, to the best knowledge of the Directors or chief executive of the Company, the substantial shareholders, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Nature of Interest	Number of Shares	Approximate Percentage of the Issued Share Capital of the Company (%)
Dashi Technology Holdings ^(Notes 1 and 3)	Beneficial owner	Long position	128,664,057	47.83
True Thrive ^(Notes 2 and 3)	Beneficial owner	Long position	82,745,082	30.76
360 Technology ^(Notes 2 and 3)	Interest in a controlled corporation	Long position	82,745,082	30.76
360 ^(Notes 2 and 3)	Interest in a controlled corporation	Long position	82,745,082	30.76
Qixin Zhicheng ^(Notes 2 and 3)	Interest in a controlled corporation	Long position	82,745,082	30.76
Zhou Hongyi (周鴻禕) ^(Notes 2 and 3)	Interest in a controlled corporation	Long position	82,745,082	30.76
Songchang International ^(Note 4)	Beneficial owner	Long position	47,282,819	17.58
Songyuan International ^(Note 4)	Interest in a controlled corporation	Long position	47,282,819	17.58
Shanghai Gaoxin ^(Note 4)	Interest in a controlled corporation	Long position	47,282,819	17.58
Shanghai Songheng ^(Note 4)	Interest in a controlled corporation	Long position	47,282,819	17.58
Shanghai Dongfangwang ^(Note 4)	Interest in a controlled corporation	Long position	47,282,819	17.58

Notes:

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

Save as disclosed above, so far as known to the Directors, as at 30 June 2022, no other persons (other than the Directors or chief executive), had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF 360 LUDASHI HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of 360 Ludashi Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	180,627	171,368
Costs of sales and services		(95,548)	(92,972)
Gross profit		85,079	78,396
Other income	4	4,970	6,405
Impairment losses under expected credit loss model, net of reversal		176	(7,625)
Other gains and losses	5	(11,110)	193
Selling and distribution expenses		(11,335)	(14,149)
Administrative expenses		(17,159)	(19,157)
Research and development expenses		(19,297)	(19,796)
Share of results of associates		1,829	(915)
Finance costs		(68)	(91)
Profit before taxation		33,085	23,261
Taxation	6	(6,975)	(1,356)
Profit and total comprehensive income for the period	7	26,110	21,905
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		23,578	21,403
Non-controlling interests		2,532	502
		26,110	21,905
Earnings per share			
Basic (in RMB cents)	9	8.77	7.96
Diluted (in RMB cents)	9	8.77	7.96

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Non-current assets			
Intangible assets		3,196	3,400
Property, plant and equipment	10	8,555	9,188
Interests in associates		6,172	8,940
Financial assets at fair value through profit or loss ("FVTPL")	11	1,600	1,600
Deferred tax assets		9,591	8,416
		29,114	31,544
Current assets			
Trade receivables	12	40,613	49,869
Other receivables, deposits and prepayments	13	25,828	44,143
Inventories		465	480
Tax recoverable		-	225
Financial assets at FVTPL	11	70,000	80,353
Restricted bank deposits		-	1,100
Bank balances and cash		443,678	384,975
		580,584	561,145
Current liabilities			
Trade and other payables	14	31,279	40,104
Contract liabilities		72	553
Lease liabilities		1,930	1,929
Income tax payable		9,555	3,893
		42,836	46,479
Net current assets		537,748	514,666
Total assets less current liabilities		566,862	546,210
Capital and reserves			
Share capital	15	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
Total equity		566,250	544,959
Non-current liability			
Lease liabilities		612	1,251
		566,862	546,210

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company					Subtotal RMB'000	Non- controlling interests RMB'000 (Note (ii))	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory Surplus reserve RMB'000 (Note (i))	Other reserve RMB'000	Accumulated profits RMB'000			
At 1 January 2021 (audited)	2,425	159,482	22,819	(9)	300,192	484,909	7,237	492,146
Profit and total comprehensive income for the period	-	-	-	-	21,403	21,403	502	21,905
Arising from acquisition of subsidiaries	-	-	-	-	-	-	(55)	(55)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4,796)	(4,796)
At 30 June 2021 (unaudited)	2,425	159,482	22,819	(9)	321,595	506,312	2,888	509,200
At 1 January 2022 (audited)	2,425	159,482	25,790	(9)	352,259	539,947	5,012	544,959
Profit and total comprehensive income for the period	-	-	-	-	23,578	23,578	2,532	26,110
Acquisition of non-controlling interests (Note (ii))	-	-	-	-	(1,895)	(1,895)	(290)	(2,185)
Dividends paid to non-controlling interests (Note (iii))	-	-	-	-	-	-	(2,634)	(2,634)
At 30 June 2022 (unaudited)	2,425	159,482	25,790	(9)	373,942	561,630	4,620	566,250

Notes:

- (i) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to set aside 10% of their profit after tax as per statutory financial statements determined under the PRC laws and regulations for the statutory surplus reserve fund until the reserve reach 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners of the subsidiaries. The statutory surplus reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.
- (ii) During January 2022, Chengdu Qilu Technology Co., Ltd.* (成都奇魯科技有限公司) ("Chengdu Qilu") purchased 1.2% equity interests of Tianjin Liu Liuyou Technology Co., Ltd.* (天津六六游科技有限公司) ("Liu Liuyou Technology") from non-controlling interests shareholder for a consideration of RMB2,185,000. As a result, the Group's equity interest in Liu Liuyou Technology increase from 88% to 89.2%. The transaction was accounted for as an equity transaction with non-controlling interests shareholder of an existing subsidiary, and the differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is recognised directly in equity attributed to owners of the Group.
- At 30 June 2022, the non-controlling interests comprise of those equity interests in Liu Liuyou Technology, Chengdu Kuanxi Information Technology Co., Ltd.* (成都寬喜信息技術有限公司) and Chengdu Xiaolu Chexun Technology Co., Ltd.* (成都小魯車訊科技有限公司) held by parties other than the Company.
- (iii) During January 2022, Liu Liuyou Technology declared dividends of an aggregate amount of RMB21,952,000 to its shareholders, of which approximately RMB19,318,000 and RMB2,634,000 were distributed to Chengdu Qilu and the non-controlling shareholder, respectively.

* The English names of these entities registered in the PRC represent the best efforts made by the directors to directly translate their Chinese names as they did not register any official English names.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net cash from operating activities	51,816	24,608
Investing activities		
Proceeds from disposal of property, plant and equipment	1,450	-
Proceeds from disposal of interests in subsidiaries	-	580
Purchase of financial assets at FVTPL	(150,000)	(310,000)
Purchase of property, plant and equipment	(2,663)	(1,715)
Purchase of intangible assets	-	(6,797)
Purchase of interests in an associate	(3,000)	-
Net cash out flow on acquisition of subsidiaries	-	(329)
Redemption of financial assets at FVTPL	160,353	250,000
Interest received	1,194	1,419
Net cash from (used in) investing activities	7,334	(66,842)
Financing activities		
Purchase of non-controlling interests	(2,185)	-
Interest paid	(68)	(91)
Repayments of lease liabilities	(1,059)	(1,292)
Dividends paid	(2,634)	(4,796)
Net Cash used in financing activities	(5,946)	(6,179)
Net increase (decrease) in cash and cash equivalents	53,204	(48,413)
Cash and cash equivalents at beginning of the period	384,975	369,233
Effect of foreign exchange rate changes	5,499	(703)
Cash and cash equivalents at end of the period, represented by bank balances and cash	443,678	320,117

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.

For the six months ended 30 June 2022

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)
Online traffic monetization		
– 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
Electronic devices sales		
– Smart accessories sales	94	282
– Certified pre-owned and factory other electronic devices sales	11	52
Total	180,627	171,368

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

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

Timing of revenue recognition

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

4. OTHER INCOME

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

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

For the six months ended 30 June 2022

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (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
	(11,110)	193

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	6,975	1,356

For the six months ended 30 June 2022

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Directors' and chief executive's remuneration	2,494	2,723
Other staff costs		
- Salaries and other benefits	29,302	30,823
- Retirement benefit schemes	2,215	2,002
Total staff costs	34,011	35,548
Depreciation of property, plant and equipment including right-of-use assets (included in "administrative expenses, selling and distribution expenses and research and development expenses")	2,656	2,556
Amortisation of intangible assets (included in "costs of sales and services, administrative expenses and research and development expenses")	204	699
Amortisation of exclusive rights to operate licensed online games (included in "costs of sales and services")	-	4,295
Total depreciation and amortisation	2,860	7,550
Cost of inventories sold	74	173
Impairment losses recognised on non-financial assets (include in "other gains and losses")	16,954	-
Development payments in respect of exclusive licensed online game (included in "costs of sales and services")	4,169	-

For the six months ended 30 June 2022

8. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2022 and 2021. 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 2021: Nil).

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

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

10. PROPERTY, PLANT AND EQUIPMENT INCLUDING RIGHT-OF-USE ASSETS

During the current interim period, the Group incurred approximately RMB324,000 (six months ended 30 June 2021: RMB972,000) for decoration cost of new office premise, approximately RMB222,000 (six months ended 30 June 2021: RMB703,000) for expenditure on new electronic equipment, approximately RMB89,000 (six months ended 30 June 2021: RMB40,000) for expenditure on new furniture and fixtures and equipment, approximately RMB2,028,000 (six months ended 30 June 2021: Nil) for expenditure on new motor vehicles and approximately RMB421,000 (six months ended 30 June 2021: Nil) for lease modification due to the increased consideration.

During the current interim period, the Group disposed of a certain motor vehicle with an aggregate carrying amount of RMB1,061,000 (six months ended 30 June 2021: Nil) for cash proceeds of RMB1,450,000 (six months ended 30 June 2021: Nil), resulting a gain on disposal of RMB223,000 (six months ended 30 June 2021: Nil).

During the six months ended 30 June 2021, the Group cancelled 2 lease agreements (six months ended 30 June 2022: Nil) for office premise and resulted in a deduction of RMB2,053,000 of right-of-use assets and RMB2,293,000 of lease liabilities respectively.

During the current interim period, the lessor of the certain office premise provided rent concessions that occurred as a direct consequence of the Covid-19 pandemic to the Group through reducing the rent for one month.

The rent concession occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16 Leases, 46B and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessor for the relevant leases of RMB28,000 (six months ended 30 June 2021: Nil) were recognised as negative variable lease payments.

For the six months ended 30 June 2022

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Unlisted equity investments:		
– Chengdu Jingtanhao Technology Co., Ltd.* (成都驚嘆號科技有限公司)	1,600	1,600
	1,600	1,600
Structured bank deposits (Note)	70,000	80,353
	71,600	81,953
Analysed for reporting purposes as:		
– Current assets	70,000	80,353
– Non-current assets	1,600	1,600
	71,600	81,953

Note:

During the period ended 30 June 2022 and the year ended 31 December 2021, the Group entered into several structured bank deposit agreements with banks in the PRC. The banks guaranteed 100% of the invested principal amount and floating interest rate of 1.59% to 3.30% per annum (2021: 1.15% to 3.30% per annum) with maturity periods ranging from 84 days to 92 days (2021: 30 days to 92 days) as specified in the agreement.

* The English names of these entities registered in the PRC represent the best efforts made by the directors to directly translate their Chinese names as they did not register any official English names.

12. TRADE RECEIVABLES

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

For the six months ended 30 June 2022

12. TRADE RECEIVABLES (continued)

Details of amounts due from related parties included in trade receivables are as follows:

Related parties	Relationship	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Beijing Qihu Technology Co., Ltd.* (北京奇虎科技有限公司) ("Beijing Qihu")	Shareholder of the Company	-	5,630
360 Technology Group Co., Ltd.* (三六零科技集團有限公司) ("360 Technology")	Shareholder of Beijing Qihu	7,064	246
Beijing Qifutong Technology Co., Ltd.* (北京奇付通科技有限公司) ("Beijing Qifutong")	360 Technology's subsidiary	105	159
Shanghai Songheng Network Technology Inc.* (上海嵩恒網絡科技股份有限公司) ("Shanghai Songheng")	Shareholder of the Company	15	72
Tianjin Shanhu Information and Technology Co., Ltd.* (天津珊瑚信息科技有限公司) ("Tianjin Shanhu")	Controlled by Tian Ye (one of the controlling shareholders of the Group)	**	70
Beijing Star World Technology Co., Ltd.* (北京世界星輝科技有限責任公司) ("Beijing Star World")	360 Technology's subsidiary	11	47
Beijing Sihai chuangwei Technology Co., Ltd.* (北京四海創為科技有限公司)	Associate of the Group	8	8
Tianjin Youbenzhiquan Technology Co., Ltd.* (天津有本之泉科技有限公司) ("Tianjin Youbenzhiquan")	Associate of the Group	1	1
Total		7,204	6,233

* The English names of these entities registered in the PRC represent the best efforts made by the directors to directly translate their Chinese names as they did not register any official English names.

** Tianjin Shanhu has ceased to be the Group's related party since October 2021.

For the six months ended 30 June 2022

12. TRADE RECEIVABLES (continued)

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

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.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Other receivables		
– a related party (Note(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 (Note(ii))	4,124	1,528
Total	25,828	44,143

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.

* The English names of these entities registered in the PRC represent the best efforts made by the directors to directly translate their Chinese names as they did not register any official English names.

For the six months ended 30 June 2022

14. TRADE AND OTHER PAYABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade payables		
– related parties	182	544
– third parties	13,766	13,372
	13,948	13,916
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
	31,279	40,104

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.

Details of amounts due to related parties included in trade payables are as follows:

Related parties	Relationship	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Beijing Qihu	Shareholder of the Company	159	280
Shanghai Songheng	Shareholder of the Company	23	208
Tianjin Shanhu	Controlled by Tian Ye	*	56
		182	544

* Tianjin Shanhu has ceased to be the Group's related party since October 2021.

For the six months ended 30 June 2022

14. TRADE AND OTHER PAYABLES (continued)

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

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

15. SHARE CAPITAL

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

For the six months ended 30 June 2022

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties:

i Transactions with related parties

Related parties	Relationship	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue from 360 Technology	Shareholder of Beijing Qihu	17,328	-
Revenue from Beijing Qiyuan Technology Co., Ltd.* (北京奇元科技有限公司) ("Beijing Qiyuan")	360 Technology's subsidiary	-	21,266
Revenue from Shanghai Songheng	Shareholder of the Company	42	287
Revenue from Beijing Star World	360 Technology's subsidiary	3,288	7,915
Revenue from Tianjin Shanhu	Controlled by Tian Ye	**	410
Revenue from Tianjin Qiyu	Associate of the Group	41,764	-
Revenue from Beijing Qifutong	360 Technology's subsidiary	167	-
Revenue from Tianjin Youbenzhiquan	Associate of the Group	-	5
Cost to 360 Technology	Shareholder of Beijing Qihu	-	1,931
Cost to Beijing Star World	360 Technology's subsidiary	85	-
Cost to Beijing Qihu	Shareholder of the Company	150	211
Cost to Beijing Qiyuan	360 Technology's subsidiary	-	1,119
Cost to Tianjin Shanhu	Controlled by Tian Ye	**	343
Cost to Shanghai Songheng	Shareholder of the Company	271	-

* The English names of these entities registered in the PRC represent the best efforts made by the directors to directly translate their Chinese names as they did not register any official English names.

** Tianjin Shanhu has ceased to be the Group's related party since October 2021.

ii Compensation of key management personnel

The remuneration of directors and other members of key management of the Group were as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Salaries and allowances	3,649	3,868
Retirement benefit scheme contributions	71	61
	3,720	3,929

For the six months ended 30 June 2022

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value as at	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship unobservable inputs to fair value
Unlisted equity investment classified at financial assets at FVTPL	30 June 2022 - RMB1,600,000 31 December 2021 - RMB1,600,000	Level 2	Recent transaction price	N/A	N/A
Structured bank deposits	30 June 2022 - RMB70,000,000 31 December 2021 - RMB80,353,000	Level 2	Discount cash flow models	Discount rate/ revenue growth rates	The higher the discount rate, the lower the fair value The lower the revenue growth rates, the lower the fair value

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate to their fair values. The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2022 and up to the date of approval of these condensed consolidated financial statements.

DEFINITION AND GLOSSARY

“360”	360 Security Technology Inc. (三六零安全科技股份有限公司), a joint stock company with limited liability incorporated in the PRC and ultimately controlled by Mr. Zhou Hongyi, one of our controlling shareholders, the shares of which are listed and traded on the Shanghai Stock Exchange (上海證券交易所) (stock code: 601360), and one of our controlling shareholders
“360 Group”	360 and its subsidiaries
“360 Technology”	360 Technology Group Co., Ltd.* (三六零科技集團有限公司), a limited liability company established in the PRC on 15 September 2011 and directly wholly owned by 360, one of our controlling shareholders, and one of our controlling shareholders
“Administrative Measures and Industry Catalogue”	The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Revision) (外商投資准入特別管理措施(負面清單)(2021年版)) and the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (鼓勵外商投資產業目錄(2020年版)), jointly issued by the National Development and Reform Commission and the Ministry of Commerce of the PRC, as amended from time to time
“ARPU”	average revenue per user
“Audit Committee”	the audit committee of the Board
“Anyixun Technology” or “WFOE”	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 Group
“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

<p>“Chengdu Qilu Shareholder Rights Entrustment Agreement”</p>	<p>the agreement dated 15 January 2018 and taking effect from 29 December 2016 among Mr. Tian Ye, Qihu Technology and Chengdu Qilu, pursuant to which Mr. Tian Ye is entrusted by Qihu Technology to exercise all of Qihu Technology’s rights as a shareholder of Chengdu Qilu (including but not limited to Qihu Technology’s voting power at general meetings of Chengdu Qilu)</p>
<p>“China” or the “PRC”</p>	<p>the People’s Republic of China, for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan</p>
<p>“China Merchants Bank”</p>	<p>China Merchants Bank Co., Ltd., a joint stock company established 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)</p>
<p>“Company”</p>	<p>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)</p>
<p>“Company Shareholder Rights Entrustment Agreement”</p>	<p>the agreement dated and taking effect on 4 September 2018 between Dashi Technology Holdings and True Thrive, pursuant to which Dashi Technology Holdings is entrusted by True Thrive to exercise all of True Thrive’s rights as a Shareholder (including but not limited to True Thrive’s voting power at general meetings of the Company)</p>
<p>“Contractual Arrangements”</p>	<p>a series of contractual arrangements entered into among WFOE, Chengdu Qilu and the Relevant Shareholders, details of which are described in “Contractual Arrangements” in the Prospectus</p>
<p>“controlling shareholder(s)”</p>	<p>has the meaning ascribed thereto under the Listing Rules, and unless the context requires otherwise, for the purpose of the Listing Rules, refers to Mr. Tian Ye, Dashi Technology Holdings, True Thrive, 360 Technology, 360, Qixin Zhicheng and Mr. Zhou Hongyi</p>
<p>“Dashi Technology Holdings”</p>	<p>Dashi Technology Holdings Limited (大師控股有限公司), a company incorporated in the British Virgin Islands with limited liability on 31 January 2018 and directly wholly owned by Mr. Tian Ye, one of our controlling shareholders</p>

“Director(s)”	director(s) of the Company
“Entrustment Arrangements”	the entrustment arrangements under the Company Shareholder Rights Entrustment Agreement and the Chengdu Qilu Shareholder Rights Entrustment Agreement in relation to the shareholder rights of True Thrive in the Company in favor of Dashi Technology Holdings and the shareholder rights of Qihu Technology in Chengdu Qilu in favor of Mr. Tian Ye, respectively, details of which are set out in the section headed “History, Reorganization and Corporate Structure – Entrustment Arrangements” in the Prospectus
“Group”, “we”, “us” and “our”, “Ludashi” or “360 Ludashi”	the Company, its subsidiaries and the PRC Operating Entities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongmeng Investment”	Hongmeng Investment Co. Ltd (鴻蒙投資有限公司), a limited liability company incorporated in the British Virgin Islands on 16 March 2018 and directly wholly owned by Mr. He Shiwei, a Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKASs”	Hong Kong Accounting Standards
“HKICPA”	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 the 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
“Nomination Committee”	the nomination committee of the Board
“PC(s)”	Personal computers
“PRC Operating Entities”	collectively, Chengdu Qilu and its subsidiaries (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
“Prospectus”	the prospectus of the Company dated 26 September 2019
“Qihu Technology”	Beijing Qihu Technology Company Limited* (北京奇虎科技有限公司), a limited liability company incorporated in the PRC on 13 August 2007, one of the Relevant Shareholders and directly wholly owned by 360 Technology, one of our controlling shareholders
“Qilu Haochen”	Chengdu Qilu Haochen Enterprise Management Consulting Company Limited* (成都奇魯昊宸企業管理諮詢有限公司), a limited liability company incorporated in the PRC on 7 February 2018, and one of the Relevant Shareholders, owned as to 43.76% by Mr. He Shiwei, an Executive Director, and 56.24% by three independent third parties
“Qixin Zhicheng”	Tianjin Qixin Zhicheng Technology Company Limited* (天津奇信志成科技有限公司), a limited liability company established in the PRC on 2 December 2015 and one of our controlling shareholders, ultimately controlled by Mr. Zhou Hongyi, one of our controlling shareholders
“Relevant Shareholder(s)”	Qihu Technology, Mr. Tian Ye, Shanghai Songheng and Qilu Haochen, being the registered shareholders of Chengdu Qilu
“Reporting Period”	the six months ended 30 June 2022
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Dongfangwang”	Shanghai Dongfangwang Stock Company Limited* (上海東方網絡股份有限公司), a limited liability company established in the PRC on 5 July 2000
“Shanghai Gaoxin”	Shanghai Gaoxin Computer System Company Limited* (上海高欣計算機系統有限公司), a limited liability company established in the PRC on 4 January 2013 and wholly owned by Shanghai Songheng, one of our Relevant Shareholders and a substantial shareholder of the Company
“Shanghai Songheng”	Shanghai Songheng Network Technology Company Limited* (上海嵩恒網絡科技股份有限公司), a limited liability company established in the PRC on 18 March 2014, and one of the Relevant Shareholders and a substantial shareholder of the Company
“Songheng Group”	Shanghai Songheng and its subsidiaries
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 9 September 2019, a summary of the principal terms and conditions of which are set forth in “Appendix IV – Statutory and General Information – D. Share Option Scheme” in the Prospectus
“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)
“Songchang International”	Songchang International Limited, a limited liability company incorporated in the British Virgin Islands on 9 May 2018, wholly owned by Songyuan International, a substantial shareholder of the Company, and a substantial shareholder of the Company
“Songyuan International”	Hong Kong Songyuan International Limited (香港嵩遠國際有限公司), a limited liability company incorporated in Hong Kong on 1 December 2017, indirectly wholly owned by Shanghai Songheng, one of the Relevant Shareholders and a substantial shareholder of the Company, and a substantial shareholder of the Company



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“True Thrive”	True Thrive Limited (誠盛有限公司), a limited liability company incorporated in the Cayman Islands on 12 October 2015, wholly owned by 360 Technology, one of our controlling shareholders, and one of our controlling shareholders
“%”	per cent

* *For identification purpose only*