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360 LUDASHI HOLDINGS LIMITED

360 魯大師控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3601)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board is pleased to announce the unaudited interim consolidated results of the Group for the six months ended 30 June 2023. The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been reviewed by the Company's auditor in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA, and by the Audit Committee.

SUMMARY OF RESULTS

	For the six months ended 30 June		Year-on-Year change (%)
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	
Revenue	291,800	180,627	61.5
Gross profit	89,846	85,079	5.6
Profit before taxation	36,525	33,085	10.4
Profit for the period	31,390	26,110	20.2
Profit attributable to equity holders of the Company for the period	28,573	23,578	21.2
Earnings per share			
– Basic (in RMB cents)	10.62	8.77	21.2

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	291,800	180,627
Costs of sales and services		<u>(201,954)</u>	<u>(95,548)</u>
Gross profit		89,846	85,079
Other income	4	5,329	4,970
Impairment losses under expected credit loss model, net of reversal		(1,805)	176
Other gains and losses	5	(1,563)	(11,110)
Selling and distribution expenses		(13,119)	(11,335)
Administrative expenses		(16,177)	(17,159)
Research and development expenses		(23,838)	(19,297)
Share of results of associates		(2,096)	1,829
Finance costs		<u>(52)</u>	<u>(68)</u>
Profit before taxation		36,525	33,085
Taxation	6	<u>(5,135)</u>	<u>(6,975)</u>
Profit and total comprehensive income for the period		<u>31,390</u>	<u>26,110</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		28,573	23,578
Non-controlling interests		<u>2,817</u>	<u>2,532</u>
		<u>31,390</u>	<u>26,110</u>
Earnings per share			
Basic (in RMB cents)	7	<u>10.62</u>	<u>8.77</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

		30 June 2023	31 December 2022
		RMB'000	RMB'000
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Intangible assets		2,802	2,999
Property, plant and equipment		5,882	8,105
Goodwill		989	–
Interests in associates		14,232	1,032
Financial assets at fair value through profit or loss (“FVTPL”)		3,000	4,600
Deferred tax assets		13,899	13,309
Prepayments		13,373	16,623
		<u>54,177</u>	<u>46,668</u>
Current assets			
Trade receivables	8	80,020	38,204
Other receivables, deposits and prepayments	9	36,835	22,683
Inventories		206	166
Tax recoverable		1,036	582
Financial assets at FVTPL		55,176	20,000
Term deposits		30,000	–
Cash and cash equivalents		471,540	532,902
		<u>674,813</u>	<u>614,537</u>
Current liabilities			
Trade and other payables	10	85,413	50,371
Contract liabilities		4,778	206
Lease liabilities		1,230	2,144
Income tax payable		4,778	6,473
		<u>96,199</u>	<u>59,194</u>
Net current assets		<u>578,614</u>	<u>555,343</u>
Total assets less current liabilities		<u>632,791</u>	<u>602,011</u>
Capital and reserves			
Share capital		2,425	2,425
Reserves		624,716	596,143
Equity attributable to owners of the Company		627,141	598,568
Non-controlling interests		5,380	2,563
Total equity		<u>632,521</u>	<u>601,131</u>
Non-current liability			
Lease liabilities		270	880
		<u>632,791</u>	<u>602,011</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 new and 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period and subsequent in July 2023, the Group has applied the following new and 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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

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

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of online advertising services, online game platforms, operation of exclusive licensed online game business and sales of smart accessories 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	
	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Online traffic monetization		
– Online advertising services	102,196	95,427
– Online game platforms	65,121	81,893
– Operation of exclusive licensed online game business	124,255	3,202
Electronic devices sales		
– Smart accessories sales	<u>228</u>	<u>105</u>
Total	<u>291,800</u>	<u>180,627</u>

Geographical information

	Six months ended 30 June	
	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Mainland China	260,074	161,872
Overseas	<u>31,726</u>	<u>18,755</u>
Total	<u>291,800</u>	<u>180,627</u>

Timing of revenue recognition

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
A point in time	98,365	93,661
Over time	<u>193,435</u>	<u>86,966</u>
Total	<u><u>291,800</u></u>	<u><u>180,627</u></u>

4. OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Government grants (<i>Note</i>)	482	1,381
Interest income		
– bank deposits	4,253	2,395
– financial assets at FVTPL	<u>594</u>	<u>1,194</u>
	<u><u>5,329</u></u>	<u><u>4,970</u></u>

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

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Impairment loss recognised in respect of prepayments	–	(9,357)
Impairment loss recognised in respect of interests in associates	–	(7,597)
Loss from changes in fair value of financial assets at FVTPL	(1,424)	–
Gain on disposal of property, plant and equipment	–	223
Gain on derecognition of interest in an associate	119	–
Net foreign exchange gains	690	5,817
Provision for compensation	(800)	–
Others	<u>(148)</u>	<u>(196)</u>
	<u><u>(1,563)</u></u>	<u><u>(11,110)</u></u>

6. TAXATION

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Tax expense comprises:		
Current tax		
– PRC Enterprise Income Tax	4,763	7,027
– Hong Kong	303	1,123
– Singapore	659	–
Deferred tax	<u>(590)</u>	<u>(1,175)</u>
Total	<u>5,135</u>	<u>6,975</u>

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>28,573</u>	<u>23,578</u>
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	<u>269,000</u>	<u>269,000</u>

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

8. TRADE RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables		
– related parties	9,396	4,205
– third parties	77,260	40,489
Less: allowance for credit losses	(6,636)	(6,490)
	<u>80,020</u>	<u>38,204</u>

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 – 90 days	71,555	35,734
91 – 180 days	6,573	1,722
Over 181 days	1,892	748
	<u>80,020</u>	<u>38,204</u>

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Included in non-current assets:		
Prepayment for acquisition of an associate	–	4,750
Prepayment for game development and license	<u>13,373</u>	<u>11,873</u>
	<u>13,373</u>	<u>16,623</u>
Included in current assets:		
Other receivables		
– a related party	400	–
– third parties	8,878	6,539
Less: allowance for credit losses	(7,051)	(5,392)
Deductible value-added tax	4,612	3,046
Deposits	7,073	4,197
Prepayments and deferred expenses	14,127	11,425
Interest receivables	358	136
Online payment platforms	<u>8,438</u>	<u>2,732</u>
	<u>36,835</u>	<u>22,683</u>
Total	<u><u>50,208</u></u>	<u><u>39,306</u></u>

10. TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade payables		
– related parties	18	82
– third parties	<u>68,245</u>	<u>16,332</u>
Other payables	3,769	5,407
Payables arisen from online game platforms business	3,735	3,603
Payroll payable	8,864	19,281
Dividends payable to non-controlling interests	–	4,570
Other tax payable	<u>782</u>	<u>1,096</u>
	<u><u>85,413</u></u>	<u><u>50,371</u></u>

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

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
0 – 90 days	54,173	15,861
91 – 180 days	13,521	32
Over 180 days	569	521
	<hr/>	<hr/>
Total	<u>68,263</u>	<u>16,414</u>

BUSINESS REVIEW AND OUTLOOK

Business Review

In the first half of 2023, the overall economy of China did not record significant growth due to the impact of the macroeconomic environment. As most of the companies took a more conservative approach to their budgets in face of economic uncertainties, the number of advertisements from clients of PCs of the Group continued to decline. Nevertheless, the Group did not slow down its business development despite impact of the overall environment. Leveraging on China's efforts to promote digital economy and national digitalization in recent years, the Group could seize the opportunities of business development more effectively and developed more utility software for different industries. Furthermore, through developing the online game business, expanding the overseas business for mobile devices, and continuously enriching our domestic product matrix for mobile devices, the Group obtained new growth points and achieved an increase in its net profit.

In the first half of 2023, 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, we continued to explore new business directions and profit growth points for our online advertising services business. 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 users base by continuously launching attractive new online 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 specializing in PC/smartphone hardware and system benchmarking and monitoring, has accumulated a large users 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. In the first half of 2023, although we continued to promote the traffic purchase for the PC version of Ludashi Software, due to the sluggish overall PC market in China, the promotion effect failed to meet our expectations and the number of our MAUs of our PC port decreased. Therefore, as at 30 June 2023, the MAUs of all our PC and mobile device utility software amounted to approximately 92.1 million.

In the first half of 2023, the PC version of Ludashi Software, adhering to the concept of “users first”, constantly innovated and optimized product functions, providing users with a variety of modes and advanced functions to cater for different needs and scenarios. For example, the PC version of Ludashi Software launched the premium version with black gold exclusive mode, especially designed for high-end users to provide more professional and personalized services. This version features more comprehensive system optimization services and more personalized settings so that users can enjoy a more smooth, safe and comfortable computer user experience. The PC version of Ludashi Software also launched desktop sorting, super uninstall and compression tools and other practical functions to help users solve problems such as messy computer desktop, software uninstall residue and file encryption and decryption, so as to improve the efficiency and security of computers. Among them, the desktop sorting function can automatically identify the types of files on the desktop, classify and archive them according to users’ preferences, and make the desktop clean and orderly; the super uninstall function can thoroughly erase software and related files on the computer to avoid occupying space and affecting performance; and the compression tools can support the compression and decompression of various file formats, and make file transfer faster to reduce the users’ waiting time.

In terms of benchmarking, Ludashi continued to deepen its cooperation with major manufacturers and brands, optimize AIMark testing engine and provide more reasonable and reliable reference for users when purchasing hardware. In the future, the Group will, based on users’ needs and industry development, introduce more utility functions and testing standards, to provide better services for users and the industry.

The Ludashi Pro software has been committed to keeping up with the needs of the market since its official release and creating the Super Pro solutions to provide users with a number of key software technologies. The Ludashi Pro software, focusing on the industry pain points and with its strong customized development technology and services, has been applied in a range of industry fields.

In the first half of 2023, the Group’s online game platforms focused on releasing boutique games and providing users with better online game services, while increasing the volume of purchases to expand its users base. In the first half of 2023, the Group achieved efficient user conversion efficiency and retention. The payment rate of new users increased by more than 25% compared with the same period last year, and the ARPU of new users increased by more than 30% compared with the same period last year. With the implementation of the boutique games strategy, the monthly ARPU of our existing paying users also increased significantly compared with the same period last year. The above figures reflected the continued growth of the online game business of the Group in the first half of 2023 and the improvement of our competitiveness in the industry.

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 the launch of online traffic purchase test and to large scale promotion, we conducted 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 the role-playing game category for its domestic exclusive licensed online games, card game and business simulation game categories for overseas exclusive licensed online games. Our current and upcoming online game categories cover business operation simulation game, role-playing game, casual competitive game, card game, etc. In the first half of 2023, the Group expanded its users base through launching more exclusive licensed online games. Currently, we have two well-performing exclusive licensed online games and expect to launch three new online games in the second half of the year.

We have also made significant progress in the operation of exclusive licensed online game business. The Group has entered into a cooperation with Universal Studios to obtain its “Kung Fu Panda (功夫熊貓)” license, aiming to develop a strategy game combining operation simulation and card combat with its animated character, and also has the global distribution license for mobile devices and PCs of this online game. This online game is expected to be officially launched by the end of 2023.

In the first half of 2023, the Group continued to expand its evaluation-related business. While completing the continuous development of electric vehicle evaluation business, we have built a new electric vehicle evaluation laboratory. In terms of mobile phone business, we established in-depth evaluation services with well-known domestic mobile phone brands. The Group held a technology sharing conference in May 2023 and launched the “Luxiaoche (魯小車)” product to further expand the intelligent evaluation business into the automobile field.

OUTLOOK

Looking forward to the second half of 2023, despite the overall slow economic development, the Group is optimistic about its existing business and will continue to focus on developing new businesses, including but not limited to developing the online game business, continuously enriching domestic and overseas product matrix for mobile devices, so as to expand our market share. In the meantime, the Group also focuses on the steady development of its existing businesses in order to achieve the long-term, healthy, sound and sustainable development of the Group.

The Group will further increase the user numbers 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, mobile device hardware, 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 2023, the Group will continue to implement the following strategies and 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 adapt to more requirements of users;
- continuously develop various types of online games and 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 expand the scale of our operational revenue;
- continue to enrich the domestic and overseas product matrix for mobile devices, and obtain more quality users through the development and promotion of more diversified utility products;
- 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 the 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 61.5% from approximately RMB180.6 million for the six months ended 30 June 2022 to approximately RMB291.8 million for the six months ended 30 June 2023. Such increase was mainly due to the Group's acquisition of Tianjin Qiyu Network Technology Co., Ltd.* (天津旗魚網絡科技有限公司) (“**Tianjin Qiyu**”), the Group acquired 80% equity interest in Tianjin Qiyu in early May 2023 and the Group's equity interest in Tianjin Qiyu increased from 20% to 100%. Tianjin Qiyu had two well-performing exclusive licensed online games, which resulted in an increase in our revenue compared to the same period of 2022, and also resulted in an increase in trade receivables compared to the year ended 31 December 2022.

The following table sets forth our segment revenue by amount and as a percentage of our revenue for the six months ended 30 June 2022 and 2023:

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>Proportion</i>	<i>RMB'000</i>	<i>Proportion</i>
	(unaudited)	(%)	(unaudited)	(%)
Online traffic monetization				
Online advertising services	102,196	35.0	95,427	52.8
Online game platforms	65,121	22.3	81,893	45.3
Operation of exclusive licensed online game business	124,255	42.6	3,202	1.8
Electronic devices sales				
Smart accessories sales	228	0.1	105	0.1
Total	291,800	100.0	180,627	100.0

(i) Online traffic monetization

(a) Online advertising services

Our revenue from online advertising services increased by approximately 7.1% from approximately RMB95.4 million for the six months ended 30 June 2022 to approximately RMB102.2 million for the six months ended 30 June 2023. Such increase was mainly due to an increase in revenue as a result of the business expansion of domestic and overseas mobile devices business.

(b) Online game platforms

Our revenue from online game platforms decreased by approximately 20.5% from approximately RMB81.9 million for the six months ended 30 June 2022 to approximately RMB65.1 million for the six months ended 30 June 2023. Such decrease was mainly due to several online games that had been in operation reaching a late stage of their game life-cycle.

(c) Operation of exclusive licensed online game business

Our revenue from operation of exclusive licensed online game business increased by over 100.0% from approximately RMB3.2 million for the six months ended 30 June 2022 to approximately RMB124.3 million for the six months ended 30 June 2023. Such increase was mainly due to the Group's acquisition of Tianjin Qiyu, the Group acquired 80% equity interest in Tianjin Qiyu in early May 2023 and the Group's equity interest in Tianjin Qiyu increased from 20% to 100%. Tianjin Qiyu had two well-performing exclusive licensed online games, which resulted in an increase in our revenue compared to the same period of 2022.

(ii) Electronic devices sales

Our revenue from electronic devices sales increased by over 100.0% from approximately RMB0.1 million for the six months ended 30 June 2022 to approximately RMB0.2 million for the six months ended 30 June 2023, which was mainly due to the income generated from the sales of electronic hardware products.

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 2022 and 2023:

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i> (unaudited)	<i>Proportion</i> (%)	<i>RMB'000</i> (unaudited)	<i>Proportion</i> (%)
Online traffic monetization				
Advertising and promoting	197,936	98.0	90,065	94.3
Server leasing	3,953	1.9	5,404	5.6
Electronic devices sales				
Smart accessories sales	65	0.1	79	0.1
Total	<u>201,954</u>	<u>100.0</u>	<u>95,548</u>	<u>100.0</u>

(i) *Online traffic monetization*

Cost of online traffic monetization business increased by over 100.0% from approximately RMB95.5 million for the six months ended 30 June 2022 to approximately RMB202.0 million for the six months ended 30 June 2023, which was mainly due to the increase in the cost of operation of exclusive licensed online game business, the game promotion costs and domestic and overseas mobile devices business. It also resulted in an increase in trade payables compared to the year ended 31 December 2022.

(ii) *Electronic devices sales*

Cost of electronic devices sales decreased by approximately 17.7% from approximately RMB79,000 for the six months ended 30 June 2022 to approximately RMB65,000 for the six months ended 30 June 2023, which was mainly due to the cost of sales of electronic hardware products.

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 2022 and 2023:

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Online traffic monetization	89,683	30.8	85,053	47.1
Electronic devices sales	163	71.5	26	24.8
Total gross profit and gross profit margin	<u>89,846</u>	<u>30.8</u>	<u>85,079</u>	<u>47.1</u>

Our gross profit increased by approximately 5.6% from approximately RMB85.1 million for the six months ended 30 June 2022 to approximately RMB89.8 million for the six months ended 30 June 2023, and the gross profit margin was approximately 47.1% and 30.8% for the six months ended 30 June 2022 and 2023, respectively. The decrease in gross profit margin was mainly due to the increased investment in promotion of traffic purchase as a result of the game business expansion and domestic and overseas mobile devices business, as well as an increase in the proportion of revenue from exclusive licensed online game business, which had a lower gross profit margin, to overall revenue.

Other income

Other income increased by approximately 7.2% from approximately RMB5.0 million for the six months ended 30 June 2022 to approximately RMB5.3 million for the six months ended 30 June 2023, which was mainly due to an increase in interest income from bank deposits.

Other gains and losses

Other gains and losses decreased by approximately 85.9% from other losses of approximately RMB11.1 million for the six months ended 30 June 2022 to other losses of approximately RMB1.6 million for the six months ended 30 June 2023, which was mainly due to the fact that provisions were made for loss on investment in associates in the corresponding period of 2022, but no provision was made in the first half of 2023.

Administrative expenses

Administrative expenses decreased by approximately 5.7% from approximately RMB17.2 million for the six months ended 30 June 2022 to approximately RMB16.2 million for the six months ended 30 June 2023, which was mainly due to the decrease in labor costs for management staff and the decrease in consultancy service fees.

Research and development expenses

Research and development expenses increased by approximately 23.5% from approximately RMB19.3 million for the six months ended 30 June 2022 to approximately RMB23.8 million for the six months ended 30 June 2023, which was mainly due to an increase in labor costs as a result of an increase in the number of research and development personnel upon the acquisition of Tianjin Qiyu.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 15.7% from approximately RMB11.3 million for the six months ended 30 June 2022 to approximately RMB13.1 million for the six months ended 30 June 2023, which was mainly due to an increase in labor costs as a result of the increase in the number of employees responsible for sales and marketing.

Taxation

Taxation decreased by approximately 26.4% from approximately RMB7.0 million for the six months ended 30 June 2022 to approximately RMB5.1 million for the six months ended 30 June 2023. Such decrease was mainly due to an increase in the proportion of profit before tax of companies subject to low corporate income tax rates.

Profit and total comprehensive income for the period

As a result of the foregoing, the profit and total comprehensive income for the period of the Group increased by approximately 20.2% from approximately RMB26.1 million for the six months ended 30 June 2022 to approximately RMB31.4 million for the six months ended 30 June 2023.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Since Listing, we have financed our cash requirements through a combination of cash generated from operating activities 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 2022 and 30 June 2023, our bank balances and cash amounted to approximately RMB532.9 million and approximately RMB471.5 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 2023, 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 2022 and for the six months ended 30 June 2023:

	For the six months ended 30 June 2023 RMB'000 (unaudited)	For the year ended 31 December 2022 RMB'000 (audited)
Purchase of property and equipment	<u>498</u>	<u>2,991</u>
Total	<u>498</u>	<u>2,991</u>

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

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 had subscribed for 5 Structured Deposit Products offered by China Merchants Bank, details of which are as follows:

i. The Structured Deposit Product Agreement XXV

Date: 12 January 2023

Product: Gold-linked Series Bullish Three-tier 90-day Structured Deposit of China Merchants Bank* (招商銀行點金系列看漲三層區間90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 3.00%

Term of the deposit: 90 days

Value date: 13 January 2023

Expiry date: 13 April 2023

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 and redemption of the product

ii. The Structured Deposit Product Agreement XXVI

Date: 19 January 2023

Product: Gold-linked Series Bullish Two-tier 90-day Structured Deposit of China Merchants Bank* (招商銀行點金系列看漲兩層區間90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: 1.85% to 2.86%

Term of the deposit: 90 days

Value date: 20 January 2023

Expiry date: 20 April 2023

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 and redemption of the product

iii. The Structured Deposit Product Agreement XXVII

Date: 23 March 2023

Product: Gold-linked Series Bullish Three-tier 96-day Structured Deposit of China Merchants Bank* (招商銀行點金系列看漲三層區間96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 3.00%

Term of the deposit: 96 days

Value date: 24 March 2023

Expiry date: 28 June 2023

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 and redemption of the product

iv. The Structured Deposit Product Agreement XXVIII

Date: 9 May 2023

Product: Gold-linked Series Bullish Two-tier 92-day Structured Deposit of China Merchants Bank* (招商銀行點金系列看漲兩層區間92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: 1.85% to 2.86%

Term of the deposit: 92 days

Value date: 10 May 2023

Expiry date: 10 August 2023

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 and redemption of the product

v. The Structured Deposit Product Agreement XXIX

Date: 15 May 2023

Product: Gold-linked Series Bullish Three-tier 92-day Structured Deposit of China Merchants Bank* (招商銀行點金系列看漲三層區間92天結構性存款)

Parties: Liu Liuyou Technology and China Merchants Bank

Amount of the deposit: RMB25 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 3.00%

Term of the deposit: 92 days

Value date: 16 May 2023

Expiry date: 16 August 2023

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 and redemption of the product

As at 30 June 2023, the Structured Deposit Product Agreement XXV, Structured Deposit Product Agreement XXVI and Structured Deposit Product Agreement XXVII have expired and the total amount of the actual interest received from these matured Structured Deposit Products were RMB138,082.19, RMB211,561.64 and RMB147,287.67, respectively.

As at 30 June 2023, the outstanding Structured Deposit Products amounted to RMB55 million.

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

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant acquisitions and disposals during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2023, the Group had no future plans for material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, we had 275 full-time employees, all of whom are located in the PRC. Specifically, such full-time employees included 2 senior management members, 110 employees who are responsible for sales and marketing, 137 employees who are responsible for research and development and 26 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 2023, the Group did not have any pledge of assets.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2023, 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 2023 and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to pay the interim dividend for the six months ended 30 June 2023.

COMPLIANCE WITH THE CG CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. During the Reporting Period, except for code provision C.2.1 of the CG Code, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

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

THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023.

In addition, the auditor has reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ludashi.com). The 2023 interim report containing all the information required by the Listing Rules will be dispatched to Shareholders in due course and published on the websites of the Stock Exchange and the Company.

DEFINITIONS

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

“ARPU”	average revenue per user;
“Audit Committee”	the audit committee of the Board;
“Anyixun Technology”	Chengdu Anyixun Technology Company Limited* (成都安易迅科技有限公司), a limited liability company established in the PRC on 20 October 2015 and a wholly-owned subsidiary of the Company;
“Board”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“Chengdu Qilu”	Chengdu Qilu Technology Company Limited* (成都奇魯科技有限公司), a limited liability company established in the PRC on 25 November 2014 and is deemed to be a wholly-owned subsidiary of the Company pursuant to the Contractual Arrangements;
“China” or the “PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“China Merchants Bank”	China Merchants Bank Co., Ltd., a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600036) and the Main Board of the Stock Exchange (stock code: 3968);

“Company” or “our Company”	360 LUDASHI HOLDINGS LIMITED (360魯大師控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3601);
“Contractual Arrangements”	a series of contractual arrangements entered into among Anyixun Technology, Chengdu Qilu and the registered shareholders of Chengdu Qilu, i.e. Beijing Qihu Technology Company Limited* (北京奇虎科技有限公司), Mr. Tian Ye, Shanghai Songheng Network Technology Company Limited* (上海嵩恒網絡科技股份有限公司) and Chengdu Qilu Haochen Enterprise Management Consulting Company Limited* (成都奇魯昊宸企業管理諮詢有限公司);
“Director(s)”	director(s) of the Company;
“Group,” “we,” “our,” “us,” or “our Group”	the Company, its subsidiaries and the PRC Operating Entities;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS(s)”	Hong Kong Financial Reporting Standards;
“HKAS(s)”	Hong Kong Accounting Standards;
“HKICPA”	the Hong Kong Institute of Certified Public Accountants;
“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 Liyou Technology”	Tianjin Liu Liyou Technology Company Limited* (天津六六遊科技有限公司), a limited liability company established in the PRC on 17 April 2017;
“Ludashi Software”	hardware and system benchmarking and monitoring software and App operated by our Group;
“MAU(s)”	monthly active user(s), a key performance indicator for software, Apps and online games. Monthly active users are calculated by counting the number of unique devices that activate the software, Apps or online games for at least once during a calendar month;

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
“PC(s)”	personal computer(s);
“PRC Operating Entities”	collectively, Chengdu Qilu, Liu Liuyou Technology, Chengdu Mijiayou Technology Company Limited* (成都米加遊科技有限公司) and Chengdu Xiaolu Chexun Information Technology Company Limited* (成都小魯車訊科技有限公司) (and the “ 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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Reporting Period”	the six months ended 30 June 2023;
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

Hong Kong, 30 August 2023

As at the date of this announcement, the Board comprises: Mr. Tian Ye and Mr. He Shiwei as executive Directors; Mr. Sun Chunfeng, Mr. Liu Wei and Mr. Zhao Dan as non-executive Directors; and Mr. Li Yang, Mr. Wang Xinyu and Mr. Zhang Ziyu as independent non-executive Directors.

* *For identification purpose only*