360 LUDASHI HOLDINGS LIMITED
360 魯大師控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3601)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019. The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by the Company's auditor in accordance with Hong Kong Standards on Auditing. These results have been reviewed by the Audit Committee.

SUMMARY OF RESULTS

	For the year ended 31 December		Year-on-Year
	2019	2018	change
	RMB'000	*RMB'000*	*(%)*
Revenue	**404,495**	320,266	26.3
Gross profit	**194,354**	159,504	21.8
Profit before taxation	**119,679**	92,051	30.0
Profit for the year	**106,469**	75,984	40.1
Profit attributable to equity holders of the Company for the year	**104,702**	71,913	45.6
Earnings per share			
– Basic (RMB cent)	**48.65**	36.12	34.7
– Diluted (RMB cent)	**48.59**	36.12	34.5

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019**	2018
		RMB'000	*RMB'000*
Revenue	*3*	**404,495**	320,266
Costs of sales and services		**(210,141)**	(160,762)
Gross profit		**194,354**	159,504
Other income	*4*	**9,039**	6,220
Other gains and losses	*5*	**10,877**	1,719
Listing expenses		**(17,685)**	(16,123)
Selling and distribution expenses		**(20,171)**	(16,820)
Administrative expenses		**(29,010)**	(20,104)
Research and development expenses		**(27,317)**	(23,368)
Share of results of associates		**10**	1,308
Finance costs	*6*	**(418)**	(285)
Profit before taxation		**119,679**	92,051
Taxation	*7*	**(13,210)**	(16,067)
Profit and total comprehensive income for the year		**106,469**	75,984
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**104,702**	71,913
Non-controlling interests		**1,767**	4,071
		106,469	75,984
Earnings per share			
Basic (in RMB cents)	*9*	**48.65**	36.12
Diluted (in RMB cents)	*9*	**48.59**	36.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Intangible assets		**3,086**	3,018
Property, plant and equipment		**10,028**	6,728
Interests in associates		**9,210**	–
Deferred tax assets	10	**4,341**	937
		26,665	10,683
Current assets			
Trade receivables	11	**86,010**	63,671
Other receivables, deposits and prepayments	12	**41,987**	19,050
Inventories	13	**4,278**	1,326
Amounts due from related parties		**–**	1,615
Tax recoverable		**752**	803
Pledged bank deposit		**–**	6,000
Bank balances and cash	14	**338,368**	174,147
		471,395	266,612
Current liabilities			
Trade and other payables	15	**47,829**	26,160
Borrowing	16	**–**	5,918
Contract liabilities		**389**	44
Lease liabilities		**2,388**	1,612
Income tax payable		**3,472**	2,861
		54,078	36,595
Net current assets		**417,317**	230,017
Total assets less current liabilities		**443,982**	240,700

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2019

	2019	2018
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**2,425**	9
Reserves	**435,930**	204,802
Equity attributable to owners of the Company	**438,355**	204,811
Non-controlling interests	**2,794**	15,198
	441,149	220,009
Non-current liabilities		
Put option liability	**–**	19,314
Lease liabilities	**2,833**	1,377
	2,833	20,691
	443,982	240,700

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

360 Ludashi Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 February 2018. On 10 October 2019, the Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 11/F, 11-24 Tianfu Software Site E1, 1268 Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province, PRC respectively.

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

Prior to the incorporation of the Company and the completion of the reorganisation ("Reorganisation"), the main operating activities of the Listing Business were carried out by Chengdu Qilu and its subsidiaries, including Anyixun Technology, Liu Liuyou Technology, Tianjin Xiaolu Second-Hand Technology Company Limited and Tianjin Lubang Technology Company Limited which were established in the PRC. The Company and its subsidiaries comprising the Group are under the control of 360 Technology Group Co., Ltd. and Mr. Tian Ye.

The consolidated financial statements are presented in RMB, which is the same as the functional currency of the Company and its subsidiaries.

The consolidated financial statements have been prepared based on the accounting policies which conform with HKFRSs issued by the HKICPA.

2. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the consolidated financial statements for the years ended 31 December 2019 and 2018, the Group has consistently applied accounting policies which conform with the HKFRSs, HKASs, amendments and the related Interpretations issued by the HKICPA that are effective for the financial year beginning on 1 January 2019.

The significant accounting policies used in the consolidated financial statements for the year ended 31 December 2019 are the same as those followed in the preparation of the Group's historical financial information for the four month ended 30 April 2019 and the details are included in Note 3 to the historical financial information of the accountants' report in Appendix I of the prospectus of the Company dated 26 September 2019.

3. REVENUE AND SEGMENT INFORMATION

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

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

Segment information

The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer who reviews revenue analysis by service 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 service lines, no segment information is presented.

The revenues attributable to the Group's service lines for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
	RMB'000	*RMB'000*
Online advertising services	**220,722**	174,595
Online game business	**62,827**	42,889
Smart accessories sales	**5,216**	2,317
Certified pre-owned and factory smartphones sales	**89,801**	85,689
Certified pre-owned and factory other electronic devices sales	**25,929**	14,776
Total	**404,495**	320,266

Geographical information

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

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**365,429**	293,927
Overseas	**39,066**	26,339
Total	**404,495**	320,266

Timing of revenue recognition

	2019	2018
	RMB'000	*RMB'000*
A point in time	**341,668**	277,377
Over time	**62,827**	42,889
Total	**404,495**	320,266

Revenue relating to the online game business are recognised over time. The transaction price of these services are recognised as a contract liability at the time of the initial sales transaction and are released based on output method over the period of services.

4. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants	**3,704**	3,564
Interest on bank deposits and financial products issued by banks	**5,335**	2,656
	9,039	6,220

5. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Reversal of allowance (allowance) for trade receivables	**99**	(529)
Allowance for inventories	**(81)**	(28)
Loss on disposal of property, plant and equipment	**–**	(43)
Gain on changes in fair value on put option liability	**11,116**	61
Gain on disposal of associates	**–**	642
Gain on disposal of subsidiaries	**–**	1,687
Net foreign exchange loss	**(218)**	–
Others	**(39)**	(71)
	10,877	1,719

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on borrowing	**148**	81
Interest on lease liabilities	**270**	204
	418	285

7. TAXATION

Pursuant to the Registration Form for Enterprise Income Tax Preference Items certified by Chengdu Hi-Tech Industrial Development Zone State Administration of Taxation, Chengdu Qilu and Anyixun have been satisfied the conditions for software enterprise's tax preference. As such, Chengdu Qilu was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2015. Anyixun was subject to three years of 50% tax deduction with effect from 2018.

Pursuant to the National Leading Group Office of Hi-Tech Enterprise Identification and Management, Liu Liuyou Technology has been satisfied the conditions for Hi-Tech enterprise's tax preference. As such, Liu Liuyou Technology was subject to PRC EIT at a rate of 15% on its taxable income for three years with effect from 2019.

Pursuant to the PRC EIT Law and the respective regulations, the other main companies of the Group except for Chengdu Qilu, Anyixun and Liu Liuyou Technology as detailed above established in the PRC are subject to PRC EIT at a rate of 25% on its taxable income.

	2019	2018
	RMB'000	*RMB'000*
Tax expense comprises:		
Current tax – PRC EIT	**16,614**	16,660
Deferred tax	**(3,404)**	(593)
Total	**13,210**	16,067

The taxation for the years ended 31 December 2019 and 2018 can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**119,679**	92,051
Tax at applicable tax rate of 25%	**29,920**	23,013
Tax effect of share of results of associates	**(3)**	(327)
Tax effect of income not taxable for tax purpose	**(2,779)**	(15)
Tax effect of expenses not deductible for income tax purpose	**1,074**	1,610
Tax effect of tax losses not recognised	**–**	1,782
Tax effect attributable to tax concession	**(15,002)**	(9,996)
Taxation for the year	**13,210**	16,067

8. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK10 cents (2018: Nil) per share, in an aggregate amount of HK$26,900,000 (2018: Nil), has been proposed by the Board and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

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	**2019**	2018
	RMB'000	*RMB'000*
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**104,702**	71,913

Shares	**Number of ordinary shares**	
	2019	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**215,197**	199,099
Effect of dilutive potential ordinary shares:		
Over-allotment options	**280**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**215,477**	199,099

The calculation of the basic earnings per share for the years ended 31 December 2019 and 2018 is based on the consolidated profit attributable to owners of the Company and the weighted average number of ordinary shares after retrospective adjustment and on the assumption that the Reorganisation and capitalisation issue as described in the Paragraph headed "Share Capital" to the Prospectus had been in effective on 1 January 2018.

The computation of diluted earnings per share for the years ended 31 December 2019 and 2018 does not assume the removal of the special rights attached on the Company's shares granted to Lima High Tech Limited (the "Removal") since the Removal would not result in a decrease in earnings per share.

10. DEFERRED TAX ASSETS

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

	Allowance for doubtful debts and inventories *RMB'000*	Impairment loss on AFS investments *RMB'000*	Unrealised intragroup profit *RMB'000*	Tax losses *RMB'000*	Total *RMB'000*
At 1 January 2018	94	250	–	–	344
Credited (charged) to profit or loss	99	(250)	744	–	593
At 31 December 2018	193	–	744	–	937
Credited (charged) to profit or loss	76	–	(330)	3,658	3,404
At 31 December 2019	269	–	414	3,658	4,341

As at 31 December 2019, the Group has unused tax losses of RMB23,269,000 (2018: RMB8,636,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB14,633,000 (2018: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB8,636,000 (2018: RMB8,636,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB1,508,000 (2018: RMB1,508,000) and RMB7,128,000 (2018: RMB7,128,000) that will expire in 2022 and 2023, respectively.

11. TRADE RECEIVABLES

	2019 **RMB'000**	2018 *RMB'000*
Trade receivables		
– related parties	**21,327**	24,356
– third parties	**65,203**	39,934
Less: allowance for credit losses	**(520)**	(619)
	86,010	63,671

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.

	2019 **RMB'000**	2018 *RMB'000*
0-90 days	**75,296**	53,080
91-180 days	**7,458**	8,960
Over 180 days	**3,256**	1,631
	86,010	63,671

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	RMB'000	*RMB'000*
Other receivables	**9,756**	1,629
Deductible value-added tax	**3,675**	–
Deferred cash consideration on disposal of subsidiaries	**2,000**	2,000
Deferred cash consideration on disposal of an associate	**1,500**	1,500
Prepayments and deferred expenses	**17,398**	3,348
Prepaid listing expenses	**–**	1,992
Deferred issue costs	**–**	5,351
Interest receivables	**2,614**	1,680
Online payment platform *(Note)*	**5,044**	1,550
Total	**41,987**	19,050

Note: The amount is unsecured, interest-free and repayable in one day and it represents receivables from third party payment platform in respect of the Group's online game business.

13. INVENTORIES

The inventories of the Group mainly comprise certified pre-owned smartphones, certified pre-owned computers, certified pre-owned smart accessories and other electronic devices held for sale.

14. BANK BALANCES AND CASH

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

The Group's short-term bank deposits amounted RMB312,368,000 (2018: RMB174,147,000) carried interest rates, per annum, ranging from 0.01% to 3.90% (2018: 0.0625% to 4.10%).

As at 31 December 2019, a non-pledged bank deposit amounted to RMB10,000,000 with an original maturity of 29 March 2024 and a non-pledged bank deposit amounted to RMB16,000,000 with an original maturity of 11 November 2024 are included in the bank balances of the Group. The non-pledged bank deposits carry interest rate with fixed interest rate of 3.8225%, per annum. The non-pledged bank deposits can be redeemed before due date at floating rates based on daily bank deposit rates and classified under current assets.

For the year ended 31 December 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

15. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
– related parties	**315**	346
– third parties	**14,991**	8,241
Other payables	**4,353**	3,734
Payables arisen from online game business *(Note)*	**6,247**	2,811
Payables arisen from purchase of non-controlling interests	**13,300**	–
Accrued listing expenses/share issue costs	**–**	4,534
Payroll payable	**7,585**	5,808
Other tax payable	**1,038**	686
	47,829	26,160

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

The 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:

	2019	2018
	RMB'000	*RMB'000*
0-90 days	**14,528**	8,487
91-180 days	**681**	21
Over 180 days	**97**	79
Total	**15,306**	8,587

16. BORROWING

	2019	2018
	RMB'000	*RMB'000*
Secured bank loan, repayable within one year	**–**	5,918

The loan was secured by a pledged bank deposit held by the Group with carrying amount of RMB6,000,000 as at 31 December 2018. The loan was fixed at 5.0% per annum and was repaid in full in October 2019.

BUSINESS REVIEW AND OUTLOOK

Business Review

In 2019, irrespective of the complex and rapid-changing international situation and a slowdown in the growth of global economy, the economy of China achieved generally stable growth with further progress. However, the downward pressure faced by the economy of China has increased. During 2019, the internet advertising and gaming markets of China maintained their growth. According to 2019 China Internet Advertising Development Report (2019中國互聯網廣告發展報告), in 2019, the total revenue growth of the advertising industry of China remained stable, though the growth rate has slightly decreased as compared to 2018. In spite of fierce competition, the global gaming industry, and in particular the Chinese market, achieved stable growth as compared to 2018.

During the year, the Group continued to focus on the development of its online traffic monetization and electronic devices sales business lines. Through upgrading the products and enriching the product mix, the number and stickiness of users of our online advertising services increased. As for online game business, we continuously launched attractive new games, and obtained gamers and expanded user base through continuous marketing efforts. In respect of electronic devices sales business, with Ludashi hardware examining technology, we enhanced the quality control and service for the electronic devices to provide products of higher quality to our customers.

We develop a series of PC and mobile device utility software and offer them to users free-of-charge in exchange for online traffic that we monetize by online advertising and online game business and further expand by electronic devices sales. Our utility software, Ludashi (魯大師), which means Master Lu, is 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. We have accumulated a large user base through providing free download and installation of Ludashi Software. As at 31 December 2019, the MAUs for our products reached approximately 152.6 million.

In 2019, we started the research and development of a new version of Ludashi Software testing engine PC version. For smart hardware being continuously updated in the market, we improved the algorithm of Ludashi Software PC version and constantly updated our hardware and system benchmarking technologies to provide testing from more dimensions for different core hardware, in order to ensure the professionalism and accuracy of our hardware and system benchmarking. We launched a beta version of the Ludashi Software in November 2019. We are in the leading position in the field of hardware and system benchmarking and monitoring software. The new testing engine will provide users with testing results of higher precision so as to keep our position in the industry.

We have been continuously developing utility software for mobile devices in the overseas market, including Dual Space, Easy Clean and APP Lock. With our efforts in discovering users' needs in respect of tools for mobile devices, and enriching our product mix to satisfy the demands of users and maintain user stickiness, the downloads of the aforesaid overseas products of the Group for mobile devices ranked top 5 in the category of tools in overseas app market.

Through our own online game platform, we constantly released attractive new games. With further precision pushing, user categorization and more advertising activities for games, the number of new players of our games continues increasing. Through optimization of our advertising channel, our conversion rate, retention rate and user payment ratio has recorded relatively large increase.

We generate revenues from online traffic monetization and electronic devices sales. Under online traffic monetization, we generate revenues from online advertising services and online game business. Online advertising service, online game and electronic device markets are our target markets. With stable economic environment and favorable industry trend and through the continuous efforts of our management team and staff, the Group has achieved stable development for each of the business segment and recorded growth in both of our revenue and profit.

For the year ended 31 December 2019, the Company recorded a total revenue of approximately RMB404.5 million, representing an increase of approximately 26.3% as compared to that in 2018, of which the revenue from our online advertising business was approximately RMB220.7 million, representing an increase of approximately 26.4% as compared to 2018, the revenue from our online game business was approximately RMB62.8 million, representing an increase of approximately 46.5% as compared to 2018 and the revenue from our electronic devices sales business was approximately RMB120.9 million, representing an increase of approximately 17.7% as compared to 2018. The net profit attributable to parent increased by approximately 45.6% to approximately RMB104.7 million as compared to 2018.

Outlook

We aim to further increase the user number and stickiness of our Ludashi Software PC version and mobile devices version and game business by upgrading and improving our software products and enriching our product mix. In the meantime, we will leverage on our expertise in respect of PC and mobile device hardware and system benchmarking and monitoring to develop innovative products, enhance our monetization capability and promote the sales of electronic devices.

In 2020, the Group will continue to implement the following strategies and strive to become a reliable hardware expert and leading internet company:

– Further improve our product quality by strengthening our research and development capability, maintain and expand our user base, explore the overseas markets, and enhance our brand image as a reliable hardware expert;

– Enhance our online advertising services and game products so as to monetize our online traffic effectively;

– Enhance our electronic devices sales business by leveraging on our brand recognition; and

– Continue to retain talents and professionals, build strategic alliances and pursue investments and acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

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

Our revenue increased by approximately 26.3% from approximately RMB320.3 million for the year ended 31 December 2018 to approximately RMB404.5 million for the year ended 31 December 2019. Such increase is mainly due to the growth in both online traffic business and electronic devices sales business.

The following table sets forth our segment revenue by amount and as a percentage of our revenue for the years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Online traffic monetization				
Online advertising services	**220,722**	**54.6**	174,595	54.5
Online game business	**62,827**	**15.5**	42,889	13.4
Electronic devices sales				
Certified pre-owned and factory smartphones sales	**89,801**	**22.2**	85,689	26.8
Smart accessories sales	**5,216**	**1.3**	2,317	0.7
Other electronic devices sales	**25,929**	**6.4**	14,776	4.6
Total	**404,495**	**100.0**	320,266	100.0

(i) Online traffic monetization

(a) Online advertising services

Our revenue from online advertising services increased by approximately 26.4% from approximately RMB174.6 million for the year ended 31 December 2018 to approximately RMB220.7 million for the year ended 31 December 2019, mainly attributable to the increase in revenue of Ludashi Software PC version and mobile devices version as a result of the continuous increase in user number.

(b) Online game business

The revenue from online game business increased by approximately 46.5% from approximately RMB42.9 million for the year ended 31 December 2018 to approximately RMB62.8 million for the year ended 31 December 2019, mainly due to the new games continuously launched and the increase in the number of gamers.

(ii) Electronic devices sales

Revenue from the electronic devices sales increased by approximately 17.7% from approximately RMB102.8 million for the year ended 31 December 2018 to approximately RMB120.9 million for the year ended 31 December 2019, primarily because we continued to expand the electronic devices sales business by various ways including that of enlarging the number of customers through marketing.

Costs of sales and services

The following table sets forth a breakdown of our costs of sales and services by amount and as a percentage of costs of sales and services for the years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Online traffic monetization				
Advertising and promoting	**82,280**	**39.1**	53,374	33.2
Server leasing	**9,002**	**4.3**	7,679	4.8
Electronic devices sales				
Certified pre-owned and factory smartphones sales	**89,790**	**42.7**	83,352	51.8
Smart accessories sales	**4,752**	**2.3**	2,010	1.3
Other electronic devices sales	**24,317**	**11.6**	14,347	8.9
Total	**210,141**	**100.0**	160,762	100.0

Costs of sales and services increased by approximately 30.7% from approximately RMB160.8 million for the year ended 31 December 2018 to approximately RMB210.1 million for the year ended 31 December 2019, primarily due to the increase in purchase cost caused by the continuous expansion of the online traffic monetization business and the increase in the cost of the electronic devices sales business caused by the increase in sales volume.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by business lines for the years ended 31 December 2018 and 31 December 2019:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Online traffic monetization	**192,267**	**67.8**	156,431	71.9
Electronic devices sales	**2,087**	**1.7**	3,073	3.0
Total gross profit and gross profit margin	**194,354**	**48.0**	159,504	49.8

Our gross profit increased by approximately 21.8% from approximately RMB159.5 million for the year ended 31 December 2018 to approximately RMB194.4 million for the year ended 31 December 2019, and the gross profit margins were approximately 49.8% and 48.0% for the years ended 31 December 2018 and 31 December 2019, respectively. The slight decrease in gross profit margin was mainly due to the increase in the purchase cost of the online traffic monetization business.

Other income

Other income increased by approximately 45.3% from approximately RMB6.2 million for the year ended 31 December 2018 to approximately RMB9.0 million for the year ended 31 December 2019, which was due to the increase in the interest income of bank deposits.

Other gains and losses

Other gains increased by approximately 532.8% from approximately RMB1.7 million for the year ended 31 December 2018 to approximately RMB10.9 million for the year ended 31 December 2019, which was due to changes in the fair value of put option liabilities.

Listing expenses

Listing expenses increased by approximately 9.7% from approximately RMB16.1 million for the year ended 31 December 2018 to approximately RMB17.7 million for the year ended 31 December 2019.

Administrative expenses

Administrative expenses increased by approximately 44.3% from approximately RMB20.1 million for the year ended 31 December 2018 to approximately RMB29.0 million for the year ended 31 December 2019, which was due to the increase in staff costs as a result of the increase in the average salary of employees.

Research and development expenses

Research and development expenses increased by approximately 16.9% from approximately RMB23.4 million for the year ended 31 December 2018 to approximately RMB27.3 million for the year ended 31 December 2019, which was mainly due to the increase in the average salary of research and development employees.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 19.9% from approximately RMB16.8 million for the year ended 31 December 2018 to approximately RMB20.2 million for the year ended 31 December 2019, which was mainly due to the increase in the number and average salary of our marketing personnel.

Taxation

Taxation decreased by approximately 17.8% from approximately RMB16.1 million for the year ended 31 December 2018 to approximately RMB13.2 million for the year ended 31 December 2019, mainly because Liu Liuyou Technology satisfies the favorable taxation conditions for high and new technology enterprises and is therefore subject to concessionary enterprise income tax rate.

Profit and total comprehensive income for the year

As a result of the foregoing, the Group's profit and total comprehensive income for the year increased by approximately 40.1% from approximately RMB76.0 million for the year ended 31 December 2018 to approximately RMB106.5 million for the year ended 31 December 2019.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

We have financed our operations through a combination of cash generated from operating activities, the proceeds from the pre-IPO investments and the proceeds from the Listing. In the future, we expect to continue relying on cash flows generated from operations, and other debt and equity financing, in addition to the proceeds from the Listing, to fund our working capital needs and finance part of our business expansion.

As at 31 December 2018 and 31 December 2019, our bank balances and cash amounted to approximately RMB174.1 million and approximately RMB338.4 million, respectively.

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

As at 31 December 2019, we did not have any bank borrowings. Accordingly, no gearing ratio is presented.

Capital Expenditures

The following table sets forth our capital expenditures for the years ended 31 December 2018 and 2019:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Purchase of property and equipment	**3,122**	3,648
Purchase of intangible assets	**1,112**	–
Total	**4,234**	3,648

Our capital expenditures primarily included expenditures for purchases of property and equipment such as servers and computers and intangible assets such as trademarks, franchises, and U8 Financial Software. We funded our capital expenditure requirements mainly from daily operation and receivables from sales and services we provide.

SIGNIFICANT INVESTMENTS HELD

We had no significant investment as at 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 24 December 2019, an indirect wholly-owned subsidiary of the Group and Shenzhen Fantexi Technology Co., Ltd.* (深圳市範特西科技有限公司) entered into an acquisition agreement, pursuant to which the Group agreed to purchase and Shenzhen Fantexi Technology Co., Ltd.* (深圳市範特西科技有限公司) agreed to sell 20% equity interest in Liu Liuyou Technology. The acquisition has been completed, and as at the date of this announcement the Group owned 88% interest in Liu Liuyou Technology, and its remaining 12% interest was owned by Mr. He Shiwei, an executive Director. For details, please refer to the announcements of the Company dated 24 December 2019 and 31 December 2019.

Save as stated above, the Group did not have any other material acquisitions nor disposals of subsidiaries, interest in associates or joint ventures for the period from the Listing Date and up to 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2019, the Group had no future plan for material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, we had 184 full-time employees, all of whom are located in the PRC. Specifically, such full-time employees included 3 senior management members, 79 personnel who are responsible for sales and marketing, 76 personnel who are responsible for research and development and 26 administrative personnel.

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 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. New employees must be properly trained to ensure that they are equipped with 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 31 December 2019, the Group did not have any pledge of assets.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2019, the Group did not have any significant contingent liabilities, guarantees or any litigation.

EVENTS AFTER THE REPORTING PERIOD

Save as elsewhere disclosed in this announcement, significant events and/or transactions took place subsequent to 31 December 2019 are detailed as below:

The outbreak of Novel Coronavirus in December 2019 (the "**COVID-19 outbreak**") has caused the local government offices to impose policies to delay opening of offices after Lunar New Year holiday, until certain preventive measures are taken and completed by the local government. The Group's office has been re-opened on 3 February 2020.

As at the date of this announcement, the COVID-19 outbreak has not resulted in material impact to the Group. Depending on the development and spread of COVID-19 outbreak subsequent to the date of this announcement, further changes in economic conditions arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK10 cents per share for the year ended 31 December 2019. The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on 29 May 2020 and upon approval, the final dividend is expected to be payable on 31 July 2020.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on 29 May 2020. The register of members of the Company will be closed from 26 May 2020 to 29 May 2020, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the annual general meeting, during which period no share transfers will be registered. To be eligible to attend the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 May 2020.

COMPLIANCE WITH CG CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. Throughout the period from the Listing Date and up to 31 December 2019, except for Code Provision A.2.1 of the CG Code, the Company has complied with all the applicable code provisions as set out in Appendix 14 to the Listing Rules.

Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Tian Ye currently performs these two roles concurrently. The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group for more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority within our Group will not be impaired by the present arrangement and the current structure will enable our 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 our Board and the chief executive officer of our 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 of the Company, all the Directors confirmed that they have strictly complied with the required standards as set out in the Model Code throughout the period from the Listing Date and up to 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the period from the Listing Date and up to 31 December 2019, 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 independent non-executive Directors, namely Mr. Zhang Ziyu, Mr. Li Yang and Mr. Wang Xinyu. The chairman of the Audit Committee is Mr. Zhang Ziyu.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2019 and agreed to the accounting principle and practices adopted by the Group.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual result announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ludashi.com). The annual report containing all 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 words and expressions shall have the following meanings:

"Audit Committee"	the audit committee of the Company;
"Anyixun Technology"	Chengdu Anyixun Technology Company Limited* (成都安易迅科技有限公司), a limited liability company established in the PRC on 20 October 2015 and a wholly-owned subsidiary of the Company;
"Board" or "Board of Directors"	the board of Directors of the Company;
"CG Code"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules;
"Chengdu Qilu"	Chengdu Qilu Technology Company Limited* (成都奇魯科技有限公司), a limited liability company established in the PRC on 25 November 2014 and is deemed to be a wholly-owned subsidiary of the Company pursuant to the Contractual Arrangements;
"China" or the "PRC"	the People's Republic of China, but for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of PRC and Taiwan;

"Company," "our Company" or "the Company"	360 LUDASHI HOLDINGS LIMITED (360魯大師控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands, whose shares are listed on the Main Board of Stock Exchange (Stock Code: 3601);
"Contractual Arrangements"	a series of contractual arrangements entered into among Anyixun Technology, Chengdu Qilu and relevant Shareholders;
"Director(s)"	director(s) of the Company;
"Group," "we," "our," "us," "our Group" or "the Group"	the Company, its subsidiaries and the PRC Operating Entities;
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"HKFRSs"	Hong Kong Financial Reporting Standards;
"HKICPA"	Hong Kong Institute of Certified Public Accountants;
"HKASs"	Hong Kong Accounting Standards;
"Listing"	the Listing of the Shares on the Main Board of the Stock Exchange;
"Listing Date"	10 October 2019, on which the Shares were listed on the Main Board of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"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 Chengdu Qilu;
"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;

"PRC Operating Entities"	collectively, Chengdu Qilu and Liu Liuyou Technology (and "PRC Operating Entity" means any one of them), the financial results of which have been consolidated and accounted for as the subsidiaries of the Company by virtue of the Contractual Arrangements;
"Prospectus"	the Company's prospectus dated 26 September 2019;
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC;
"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;
"%"	per cent.

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

Hong Kong, 30 March 2020

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

* *For identification purposes only*