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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 2020

The Board is pleased to announce the unaudited interim consolidated results of the Group for the six months ended 30 June 2020. The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the Company's auditor in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by HKICPA, and by the Audit Committee.

#### SUMMARY OF RESULTS

	For the six months ended		Year-on- Year change (%)
	30 June 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	
<b>Revenue</b>	<b>183,014</b>	187,262	(2.3)
Gross profit	<b>94,072</b>	93,976	0.1
Profit before taxation	<b>54,689</b>	56,526	(3.2)
Profit for the period	<b>48,245</b>	49,932	(3.4)
Profit attributable to equity holders of the Company for the period	<b>45,471</b>	49,565	(8.3)
<b>Earnings per share</b>			
– Basic and Diluted (RMB cent)	<b>16.90</b>	24.78	(31.8)

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2020</b> <b><i>RMB'000</i></b> <b>(unaudited)</b>	<b>2019</b> <b><i>RMB'000</i></b> <b>(unaudited)</b>
Revenue	3	<b>183,014</b>	187,262
Costs of sales and services		<b>(88,942)</b>	(93,286)
Gross profit		<b>94,072</b>	93,976
Other income	4	<b>4,086</b>	2,380
Other gains and losses	5	<b>2,443</b>	271
Listing expenses		–	(5,065)
Selling and distribution expenses		<b>(11,423)</b>	(9,457)
Administrative expenses		<b>(20,238)</b>	(11,866)
Research and development expenses		<b>(13,527)</b>	(13,541)
Share of results of associates		<b>(619)</b>	–
Finance costs		<b>(105)</b>	(172)
Profit before taxation		<b>54,689</b>	56,526
Taxation	6	<b>(6,444)</b>	(6,594)
Profit and total comprehensive income for the period		<b>48,245</b>	49,932
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		<b>45,471</b>	49,565
Non-controlling interests		<b>2,774</b>	367
		<b>48,245</b>	49,932
Earnings per share			
Basic and Diluted (in RMB cents)	8	<b>16.90</b>	24.78

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2020**

	<i>Notes</i>	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
<b>Non-current Assets</b>			
Intangible assets		8,428	3,086
Property, plant and equipment		8,483	10,028
Interests in associates		18,191	9,210
Financial assets at fair value through profit or loss (“FVTPL”)		25,628	–
Deferred tax assets		4,750	4,341
		<u>65,480</u>	<u>26,665</u>
<b>Current assets</b>			
Trade receivables	<i>9</i>	71,615	86,010
Other receivables, deposits and prepayments	<i>10</i>	61,310	41,987
Inventories		4,506	4,278
Tax recoverable		1,053	752
Bank balances and cash		327,224	338,368
		<u>465,708</u>	<u>471,395</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	58,024	47,829
Contract liabilities		347	389
Lease liabilities		2,563	2,388
Income tax payable		3,371	3,472
		<u>64,305</u>	<u>54,078</u>
<b>Net current assets</b>		<u>401,403</u>	<u>417,317</u>
<b>Total assets less current liabilities</b>		<u>466,883</u>	<u>443,982</u>
<b>Capital and reserves</b>			
Share capital		2,425	2,425
Reserves		456,697	435,930
Equity attributable to owners of the Company		459,122	438,355
Non-controlling interests		5,702	2,794
<b>Total Equity</b>		<u>464,824</u>	<u>441,149</u>
<b>Non-current liabilities</b>			
Lease liabilities		2,059	2,833
		<u>466,883</u>	<u>443,982</u>

# NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

### 1A. Significant Events and Transactions in the Current Interim Period

The outbreak of COVID-19 and subsequent quarantine measures as well as the travel restrictions imposed by many countries had negative impacts to the global economy, business environment and directly and indirectly affect the operations for the Group. Due to mandatory government quarantine measure from January 2020 to March 2020 in effort to contain the spread of the pandemic, the Group’s revenue from online advertising services were affected to a certain extent, but the Group’s revenue from online game business increased due to more people spend more time on entertainment through using computers and other mobile devices.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the amendments to References to Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKCPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 “COVID-19-Related Rent Concessions”.

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current 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 business, and sales of smart accessories and certified pre-owned and factory smartphones and other electronic devices in the People's Republic of China ("PRC").

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

#### Segment information

The Group's chief executive officer has been identified as the chief operating decision maker ("CODM") 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 as follows:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Online advertising services	83,629	105,054
Online game business	55,590	28,762
Certified pre-owned and factory smartphones sales	43,057	25,885
Certified pre-owned and factory other electronic devices sales	409	24,101
Smart accessories sales	329	3,460
	<hr/>	<hr/>
Total	<b>183,014</b>	187,262
	<hr/> <hr/>	<hr/> <hr/>

## Geographical information

	Six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Mainland China	168,972	166,686
Overseas	14,042	20,576
Total	<u>183,014</u>	<u>187,262</u>

## Timing of revenue recognition

	Six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
A point in time	127,424	158,500
Over time	55,590	28,762
Total	<u>183,014</u>	<u>187,262</u>

## 4. OTHER INCOME

	Six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Government grants	1,526	344
Interest on bank deposits and financial products issued by banks	2,560	2,036
	<u>4,086</u>	<u>2,380</u>

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Allowance for trade receivables	(147)	(7)
Allowance for inventories	(666)	–
Net foreign exchange gain	3,220	142
Gain on changes in fair value on put option liability	–	220
Others	36	(84)
	<u>2,443</u>	<u>271</u>

## 6. TAXATION

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Tax expense comprises:		
Current tax – PRC Enterprise Income Tax	(6,853)	(7,887)
Deferred tax	409	1,293
	<u>(6,444)</u>	<u>(6,594)</u>

## 7. DIVIDENDS

During the current interim period, a final dividend of Hong Kong Dollars (“HK\$”) at HK10 cents per share in respect of the year ended 31 December 2019 (For the six months ended 30 June 2019 and the year ended 31 December 2018: nil) was declared to owners of the Company. The aggregate amount of the final dividend for the year ended 31 December 2019 declared in the interim period amounted to HK\$26,900,000 (equivalent to approximately RMB 24,570,000) (For the six months ended 30 June 2019: nil).

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 8. EARNINGS PER SHARE

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

Earnings	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>45,471</u>	<u>49,565</u>
Number of 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>200,000</u>

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares after retrospective adjustment and on the assumption that the Capitalisation Issue as described in the Paragraph headed “Share Capital” to the Prospectus had been in effective on 1 January 2019.

The computation of diluted earnings per share for the six months ended 30 June 2019 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.

No diluted earnings per share for the six months ended 30 June 2020 was presented as there was no potential ordinary shares in issue for this period.

## 9. TRADE RECEIVABLES

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Trade receivables		
– related parties	17,764	21,327
– third parties	54,517	65,203
Less: allowance for credit losses	(666)	(520)
	<u>71,615</u>	<u>86,010</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 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
0 – 90 days	48,545	75,296
91 – 180 days	11,527	7,458
Over 181 days	11,543	3,256
	<u>71,615</u>	<u>86,010</u>

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Other receivables	8,796	9,756
Deductible value-added tax	5,463	3,675
Deferred cash consideration on disposal of subsidiaries	1,500	2,000
Deferred cash consideration on disposal of an associate	–	1,500
Prepayments and deferred expenses		
– a related party	2,500	–
– third party	28,215	17,398
Deposit for an investment	5,600	–
Interest receivables	3,371	2,614
Online payment platform ( <i>Note</i> )	5,865	5,044
	<u>61,310</u>	<u>41,987</u>
Total	<u>61,310</u>	<u>41,987</u>

*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.



## 11. TRADE AND OTHER PAYABLES

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
Trade payables		
– related parties	268	315
– third parties	8,047	14,991
Other payables	5,118	4,353
Payables arisen from online game business ( <i>Note</i> )	13,254	6,247
Payables arisen from purchase of non-controlling interests	–	13,300
Payroll payable	6,073	7,585
Other tax payable	694	1,038
Dividend payable	24,570	–
	<u>58,024</u>	<u>47,829</u>

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

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

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
0-90 days	7,896	14,528
91-180 days	273	681
Over 180 days	146	97
	<u>8,315</u>	<u>15,306</u>

## **BUSINESS REVIEW AND OUTLOOK**

### **Business Review**

During the first half of 2020, the widespread of the COVID-19 epidemic (the “**Epidemic**”) caused a severe recession in the global economy. In China, while the Epidemic prevention and control continued to improve and the economy has been recovering steadily, external risks and challenges increased significantly and the recovery of the domestic economy remained under pressure. Under the shadow of the Epidemic, all walks of life suffered the effect, and the Company’s online advertising services are also affected to a certain extent. In addition, the worldwide geopolitical tensions, and the re-heating up of the Sino-US trade dispute, have also affected our overseas mobile devices business. Meanwhile, China adopted the home quarantine measure in response to the outbreak of the Epidemic in January 2020, which made users spending more time on entertainment through using computers and other mobile devices and thus the Company’s online game business saw an upsurge.

In the first half of 2020, the Group continued to focus on the development of its online traffic monetization and electronic devices sales business lines. Through upgrading and iteration of the products and enriching the product matrix, the number and stickiness of users of our online advertising services increased. As for online game business, we have 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 smart hardware examining technology, we have enhanced the quality control and service for electronic devices to provide products of higher quality to our customers.

We developed a series of PC and mobile device utility software and offered them to users free-of-charge in exchange for online traffic that we monetized by online advertising services and online game business and further expanded by electronic devices sales. Our utility software, Ludashi Software, 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 30 June 2020, the MAUs for our products had reached approximately 158.9 million.

We continued to optimize the functions of Ludashi Software for PC version, and conducted several rounds of iteration on the beta version 2 of the benchmarking engine, which has launched at the end of 2019. The base of the hardware temperature detection engine was modified to greatly improve its efficiency of support to new hardware in the future. Meanwhile, we have revised the hardware parameter page and optimized the design of hardware protection page, so as to present a more user-friendly Ludashi Software with higher-accuracy detection capability to our users.

We jointly developed and launched Ludashi game accelerator, a game accelerator for computer online game that, by using Ludashi's cross-border dedicated line acceleration technology, can perfectly solve the core experience issues, such as lengthy latency and frequent disconnection, encountered by domestic players when they logged in to games with servers overseas. It was designed to allow players to fully enjoy competitive games and eliminate the negative experience in playing online games as a result of network instability. The trial version was launched in March 2020 and is expected to be officially launched in the second half of 2020.

During the Epidemic, as users subject to the home quarantine measure have spent more time on entertainment through using computers and other mobile devices, Ludashi's game business has grown rapidly in the first half of 2020. With the further improvement of precision pushing and user categorization strategy, as well as more investment in online game advertising, we recorded a relatively large increase in the conversion rate, retention rate, user payment ratio and number of active users. At the same time, the Company increased the investment in the game launching business this year, and completed two tailored web game products on the basis of exclusive agency, one of which was launched in June 2020, and the other is scheduled to be launched in the second half of 2020. The Company tailored two H5 games and mobile games in the first half of 2020, one of which introduced well-known animation IP. It is our plan to increase IP contents in subsequent tailored products to enhance product competitiveness.

In respect of the electronic devices sales, with the smart hardware examining technology as our base, we continued to reinforce the quality control and service for the electronic devices in order to bring better products to our customers.

This year, on top of consolidating the competitiveness of its existing products, the Group had also actively sought for new business opportunities and conducted a number of acquisitions. It also set a foothold in the fields of internet and online financial services to enrich its existing product matrix while branching out into new fields for diversifying risks.

On the whole, despite the negative impact of the Epidemic on certain business segments of the Group, the Group's overall operations have remained stable and sufficient cash reserves could be maintained.

## **Outlook**

Owing to the unpredictable development of the Epidemic and the uncertainty resulted from the Sino-US trade dispute, the business of the Group may be directly and indirectly affected in the future, thus leading to uncertainties of our overall revenue. We will continue to focus on our existing principal business while making every effort to seek new business opportunities, in order to mitigate the negative impact brought by the Epidemic and the Sino-US trade dispute.

We aim to further increase the user number and stickiness of our Ludashi Software PC version, 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 while achieving stable economic benefits by strengthening the relationship with suppliers, customers and users.

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

- Continue the upgrading and iteration of the Ludashi Software while enriching the PC product matrix and promoting Ludashi game accelerator;
- Constantly expand the scale of investment in game business promotion, combine the game directing business and game launching business, and keep on improving our competitiveness, so as to increase our operational revenue scale;
- Further improve our product quality by strengthening our research and development capability, maintain and expand our user base, stabilize the overseas markets, and enhance our brand image as a reliable hardware expert;
- Enhance our online advertising services and online 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

Our revenue decreased by approximately 2.3% from approximately RMB187.3 million for the six months ended 30 June 2019 to approximately RMB183.0 million for the six months ended 30 June 2020. Such decrease was mainly due to the decline of online traffic business and electronic devices sales business as affected by the Epidemic and Sino-US trade dispute.

The following table sets forth our revenue by amount and as a percentage of our revenue for the six months ended 30 June 2019 and 2020:

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
<b>Online traffic monetization</b>				
Online advertising services	<b>83,629</b>	<b>45.7</b>	105,054	56.1
Online game business	<b>55,590</b>	<b>30.4</b>	28,762	15.4
<b>Electronic devices sales</b>				
Certified pre-owned and factory smartphones sales	<b>43,057</b>	<b>23.5</b>	25,885	13.8
Smart accessories sales	<b>329</b>	<b>0.2</b>	3,460	1.8
Other electronic devices sales	<b>409</b>	<b>0.2</b>	24,101	12.9
<b>Total</b>	<b><u>183,014</u></b>	<b><u>100.0</u></b>	<b><u>187,262</u></b>	<b><u>100.0</u></b>

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

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

Our revenue from online advertising services decreased by approximately 20.4% from approximately RMB105.1 million for the six months ended 30 June 2019 to approximately RMB83.6 million for the six months ended 30 June 2020, which was mainly due to the reduction in promotion budget of our clients as affected by the Epidemic and Sino-US trade dispute.

##### (b) *Online game business*

The revenue from online game business increased by approximately 93.3% from approximately RMB28.8 million for the six months ended 30 June 2019 to approximately RMB55.6 million for the six months ended 30 June 2020, as users had spent more time on entertainment through computers and other mobile devices during their home quarantine measure amid the Epidemic, and the increase in the number of players as we have continued to launch new games.

**(ii) Electronic devices sales**

Revenue from the electronic devices sales decreased by approximately 18.1% from approximately RMB53.4 million for the six months ended 30 June 2019 to approximately RMB43.8 million for the six months ended 30 June 2020, which was mainly due to the decrease in purchase of electronic devices by users, as a result of the home quarantine measure amid the Epidemic.

**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 2019 and 2020:

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
<b>Online traffic monetization</b>				
Advertising and promoting	39,507	44.4	40,018	42.9
Server leasing	6,556	7.4	1,387	1.5
<b>Electronic devices sales</b>				
Certified pre-owned and factory smartphones sales	42,723	48.0	25,019	26.8
Smart accessories sales	44	0.1	3,728	4.0
Other electronic devices sales	112	0.1	23,134	24.8
<b>Total</b>	<b>88,942</b>	<b>100.0</b>	<b>93,286</b>	<b>100.0</b>

**(i) Online traffic monetization**

Cost of online traffic monetization business increased by approximately 11.2% from approximately RMB41.4 million for the six months ended 30 June 2019 to approximately RMB46.1 million for the six months ended 30 June 2020, which was mainly due to the increase in server expenses of online game business.

**(ii) Electronic devices sales**

Cost of electronic devices sales decreased by approximately 17.4% from approximately RMB51.9 million for the six months ended 30 June 2019 to approximately RMB42.9 million for the six months ended 30 June 2020, which was mainly due to the decrease in purchase of electronic devices by users, as a result of the home quarantine measure amid the Epidemic.

## Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by business lines for the six months ended 30 June 2019 and 2020:

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Online traffic monetization	<b>93,156</b>	<b>66.9</b>	92,411	69.1
Electronic devices sales	<b>916</b>	<b>2.1</b>	1,565	2.9
<b>Total gross profit and gross profit margin</b>	<b><u>94,072</u></b>	<b><u>51.4</u></b>	<b><u>93,976</u></b>	<b><u>50.2</u></b>

Our gross profit increased by approximately 0.1% from approximately RMB94.0 million for the six months ended 30 June 2019 to approximately RMB94.1 million for the six months ended 30 June 2020, and the gross profit margins were approximately 50.2% and 51.4% for the six months ended 30 June 2019 and 2020, respectively. The increase in gross profit margin was mainly due to the increase in revenue generated from our online traffic monetization business, which has a higher gross profit, as compared to the electronic devices sales business.

## Other income

Other income increased by approximately 71.7% from approximately RMB2.4 million for the six months ended 30 June 2019 to approximately RMB4.1 million for the six months ended 30 June 2020, which was due to the increase in the interest income of bank deposits and government grants.

## Other gains and losses

Other gains and losses improved by over 100.0% from other gains of approximately RMB0.3 million for the six months ended 30 June 2019 to other gains of approximately RMB2.4 million for the six months ended 30 June 2020, which was due to the increase in exchange gains.

## Listing expenses

Listing expenses decreased by 100.0% from approximately RMB5.1 million for the six months ended 30 June 2019 to nil for the six months ended 30 June 2020.

## Administrative expenses

Administrative expenses increased by approximately 70.6% from approximately RMB11.9 million for the six months ended 30 June 2019 to approximately RMB20.2 million for the six months ended 30 June 2020, which was due to the increase in consulting services fees.

## **Research and development expenses**

For the six months ended 30 June 2019 and 2020, the research and development expenses held flat at approximately RMB13.5 million, which was mainly due to the stable salary level of research and development personnel.

## **Selling and distribution expenses**

Selling and distribution expenses increased by approximately 20.8% from approximately RMB9.5 million for the six months ended 30 June 2019 to approximately RMB11.4 million for the six months ended 30 June 2020, which was mainly due to the increase in marketing expenses.

## **Taxation**

Taxation decreased by approximately 2.3% from approximately RMB6.6 million for the six months ended 30 June 2019 to approximately RMB6.4 million for the six months ended 30 June 2020, mainly due to the reduction in profit before taxation in the first half of 2020 as compared to that of the corresponding period of 2019.

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

As a result of the foregoing, the profit and total comprehensive income for the period decreased by approximately 3.4% from approximately RMB49.9 million for the six months ended 30 June 2019 to approximately RMB48.2 million for the six months ended 30 June 2020.

## **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 2019 and 30 June 2020, our bank balances and cash amounted to approximately RMB338.4 million and approximately RMB327.2 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 30 June 2020, 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 2019 and for the six months ended 30 June 2020:

	<b>For the six months ended 30 June 2020</b>	For the year ended 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Purchase of property and equipment	<b>1,107</b>	3,122
Purchase of intangible assets	<b>4,300</b>	1,112
<b>Total</b>	<b>5,407</b>	4,234

Our capital expenditures primarily included expenditures for purchases of property and equipment such as servers and computers and intangible assets such as trademarks and franchises. 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 30 June 2020.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

On 24 June 2020, 360 Ludashi Consulting Limited, a wholly-owned subsidiary of the Group, Mr. Tian Ye, an executive Director and a controlling shareholder of the Company, and Mr. Zhang Fanchen, the chief financial officer of the Company (collectively, the “**Purchasers**”), entered into an agreement with Wan Lung Investment Development Limited (the “**Agreement**”), pursuant to which the Purchasers have jointly and conditionally agreed to acquire and Wan Lung Investment Development Limited has conditionally agreed to sell the entire issued share capital of Wan Lung Securities Limited, a licensed corporation carrying on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, at the aggregate consideration of approximately HK\$14.5 million subject to the terms and conditions of the Agreement (the “**Acquisition**”).

Upon completion of the Acquisition, Wan Lung Securities Limited will be owned as to 80% by 360 Ludashi Consulting Limited, 15% by Mr. Tian Ye and 5% by Mr. Zhang Fanchen, respectively, and will become a non wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 25 June 2020.

Save as disclosed above, the Group did not have any other material acquisitions nor disposals of subsidiaries, interest in associates or joint ventures for the six months ended 30 June 2020.

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

As at 30 June 2020, there was no future plan for material investments or capital assets.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2020, we had 168 full-time employees, all of whom are located in the PRC. Specifically, such full-time employees included 3 senior management members, 67 personnel who are responsible for sales and marketing, 74 personnel who are responsible for research and development and 24 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 have developed a series of training with individualized emphasis and focus based on our accumulated 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 educational studies, fundamental economics and finance knowledge and skills training, and professional development courses for our management personnel. New employees are required to attend induction training meeting 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 30 June 2020, the Group did not have any pledge of assets.

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 30 June 2020, the Group did not have any significant contingent liabilities, guarantees or any litigation.

## **EVENTS AFTER THE REPORTING PERIOD**

On 24 July 2020, a deposit of HK\$2 million was paid by 360 Ludashi Consulting Limited to Wan Lung Investment Development Limited in connection to the Acquisition. As at the date of this announcement, the Acquisition is not completed as all required approvals from the regulatory authorities have not been obtained.

## **INTERIM DIVIDEND**

The Board has resolved not to pay the interim dividend for the six months ended 30 June 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. During the Reporting Period, 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 the 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, 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 2020.

In addition, the auditor has reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA.

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

This interim result announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.ludashi.com](http://www.ludashi.com)). The interim 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;
“Board”	the board of Directors of the Company;
“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;
“Company,” “our Company,” “the Company” or “Ludashi”	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 Chengdu Anyixun Technology Company Limited (a wholly-owned subsidiary of the Group), Chengdu Qilu and relevant Shareholders;
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“CG Code”	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group,” “we,” “our,” “us,” “our Group”	the Company, its subsidiaries and the PRC Operating Entities;
“H5”	a markup language used for structuring and presenting content on the World Wide Web, which is the fifth and current major version of the HTML standard;
“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;
“HKAS(s)”	Hong Kong Accounting Standards;
“HKICPA”	the Hong Kong Institute of Certified Public Accountants;
“IP(s)”	intellectual property rights. In the game industry, IP products usually refer to the game products created with the authorized use of characters, images, graphics, texts, plots, etc. of literatures, movies or famous games;
“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 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;
“PC(s)”	personal computers;
“PRC Operating Entities”	collectively, Chengdu Qilu and Liu Liuyou Technology (and “PRC Operating Entity” means any one of them), the financial results of which have been consolidated and accounted for as the subsidiaries of the Company by virtue of the Contractual Arrangements;
“Reporting Period”	the six months ended 30 June 2020;
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any subsidiary legislation made thereunder, as amended, consolidated or substituted from time to time;
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

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

Hong Kong, 21 August 2020

*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, Mr. Zhang Ziyu and Mr. Zhu Jinglei as independent non-executive Directors.*

\* *For identification purpose only*