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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 2021

The Board is pleased to announce the unaudited interim consolidated results of the Group for the six months ended 30 June 2021. The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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 30 June		
	2021	2020	Year-on-
	RMB'000	RMB'000	Year change
	(unaudited)	(unaudited)	(%)
Revenue	171,368	183,014	-6.4
Gross profit	78,396	94,072	-16.7
Profit before taxation	23,261	54,689	-57.5
Profit for the period	21,905	48,245	-54.6
Profit attributable to equity holders of the Company for the period	21,403	45,471	-52.9
Earnings per share			
– Basic (in RMB cents)	7.96	16.90	-52.9
– Diluted (in RMB cents)	7.96	16.90	-52.9

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	3	171,368	183,014
Costs of sales and services		(92,972)	(88,942)
Gross profit		78,396	94,072
Other income	4	6,405	4,086
Impairment losses under expected credit loss model, net of reversal		(7,625)	(147)
Other gains and losses	5	193	2,590
Selling and distribution expenses		(14,149)	(11,423)
Administrative expenses		(19,157)	(20,238)
Research and development expenses		(19,796)	(13,527)
Share of results of associates		(915)	(619)
Finance costs		(91)	(105)
Profit before taxation		23,261	54,689
Taxation	6	(1,356)	(6,444)
Profit and total comprehensive income for the period		21,905	48,245
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		21,403	45,471
Non-controlling interests		502	2,774
		21,905	48,245
Earnings per share			
Basic and diluted (in RMB cents)	8	7.96	16.90

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	<i>Notes</i>	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Non-current assets			
Intangible assets		3,821	2,870
Property, plant and equipment		9,973	11,254
Interests in associates		8,696	10,580
Financial assets at fair value through profit or loss (“FVTPL”)		27,228	25,628
Deferred tax assets		8,504	7,535
		58,222	57,867
Current assets			
Exclusive rights to operate licensed online games		1,887	6,182
Trade receivables	<i>9</i>	77,147	53,623
Other receivables, deposits and prepayments	<i>10</i>	45,470	40,400
Inventories		384	176
Tax recoverable		269	1,079
Bank balances and cash		320,117	369,233
Financial assets at FVTPL		60,000	—
		505,274	470,693
Current liabilities			
Trade and other payables	<i>11</i>	49,213	29,508
Contract liabilities		186	101
Lease liabilities		2,253	2,650
Income tax payable		466	402
		52,118	32,661
Net current assets		453,156	438,032
Total assets less current liabilities		511,378	495,899
Capital and reserves			
Share capital	<i>12</i>	2,425	2,425
Reserves		503,887	482,484
Equity attributable to owners of the Company		506,312	484,909
Non-controlling interests		2,888	7,237
Total equity		509,200	492,146
Non-current liabilities			
Lease liabilities		2,178	3,753
		511,378	495,899

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39	Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16	

In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” beyond 30 June 2021.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Online traffic monetization		
– Online advertising services	105,837	83,629
– Online game platform	50,807	54,395
– Operation of exclusive licensed online game business	14,390	1,195
Electronic devices sales		
– Smart accessories sales	282	329
– Certified pre-owned and factory smartphones sales	–	43,057
– Certified pre-owned and factory other electronic devices sales	52	409
Total	171,368	183,014

Geographical information

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mainland China	146,862	168,972
Overseas	24,506	14,042
Total	171,368	183,014

Timing of revenue recognition

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
A point in time	105,153	127,424
Over time	66,215	55,590
Total	<u>171,368</u>	<u>183,014</u>

4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grants (<i>Note</i>)	3,518	1,526
Interest on bank deposits and financial products issued by banks	2,887	2,560
	<u>6,405</u>	<u>4,086</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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Gain on disposal of interest in an associate	711	–
Net foreign exchange (loss) gain	(694)	3,220
Others	176	(630)
	<u>193</u>	<u>2,590</u>

6. TAXATION

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Tax expense comprises:		
Current tax – PRC Enterprise Income Tax	1,858	6,853
Deferred tax	(502)	(409)
Total	<u>1,356</u>	<u>6,444</u>

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

During the six months period ended 30 June 2020, a final dividend of Hong Kong Dollars (“HK\$”) at HK10 cents per share, in an aggregate amount of approximately HK\$26,900,000 (equivalent to approximately RMB24,570,000), in respect of the year ended 31 December 2019 was declared to owners of the Company.

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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	21,403	45,471
Number of shares	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	269,000	269,000

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

9. TRADE RECEIVABLES

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables		
– related parties	5,970	9,417
– third parties	77,787	46,917
Less: allowance for credit losses	(6,610)	(2,711)
	77,147	53,623

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 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 – 90 days	56,413	39,172
91 – 180 days	12,440	6,669
Over 181 days	8,294	7,782
	77,147	53,623

The Group performs impairment assessment in respect of trade receivables under expected credit loss model. The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Other receivables		
– related parties (<i>Note (i)</i>)	3,720	1,500
– third parties	5,789	2,506
Deductible value-added tax	5,241	5,426
Deferred cash consideration on disposal of subsidiaries	920	1,500
Prepayments and deferred expenses		
– related parties	–	4,468
– third parties	25,729	16,775
Deposit for an investment	–	1,825
Interest receivables	789	126
Online payment platform (<i>Note (ii)</i>)	3,282	6,274
Total	45,470	40,400

Notes:

- (i) As at 30 June 2021, the amount is unsecured, non-trade, interest-free and with a term of one year from Tianjin Qiyu Network Technology Co., Ltd. (“**Tianjin Qiyu**”).
- (ii) 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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables		
– related parties	337	300
– third parties	30,024	7,983
Other payables		
– related parties	50	1,000
– third parties	769	3,646
Payables arisen from online game platform business (Note)		
– a related party	614	1,194
– third parties	8,563	5,799
Payroll payable	8,249	9,339
Other tax payable	607	247
	<u>49,213</u>	<u>29,508</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:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0-90 days	26,626	7,459
91-180 days	3,460	435
Over 180 days	275	389
Total	<u>30,361</u>	<u>8,283</u>

12. SHARE CAPITAL

	Number of shares	Share Capital HK\$'000	RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<u>10,000,000,000</u>	<u>100,000</u>	<u>90,321</u>
Issued and fully paid			
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<u>269,000,000</u>	<u>2,690</u>	<u>2,425</u>

BUSINESS REVIEW AND OUTLOOK

Business Review

During the first half of 2021, as continuously affected by the COVID-19 epidemic (the “**Epidemic**”), the global economy was in a slump as a whole. As the vaccine development and vaccination arrangement for COVID-19 were in progress in an orderly manner, China’s economy has gradually recovered during the first half of 2021. However, external risks and challenges still existed, the recovery of the domestic economy remained under pressure and the overall market was still sluggish. The advertising promotion budgets of advertisers from PCs (personal computers) of our Group has been reduced to a large extent from last year, leading to the significant reduction in the number of advertisements and the amount of advertising expenses which have yet to recover to pre-epidemic levels, thus resulting in the decrease in the income of online advertising services from PCs and the overall net profit of the Group. At the same time, the continuous worldwide geopolitical tensions caused by the Sino-US trade dispute have also affected the overseas online advertising services business of our Group to some extent.

During the first half of 2021, the Group continued to focus on the development of its online traffic monetization business. Through upgrading and iteration of our products as well as enriching our product matrix, the number and stickiness of users of our online advertising services have increased. As for online game business including the provision of online game platform and operation of exclusive licensed online game business, the Group continued to launch attractive new games and obtained gamers and expanded user base through continuous marketing efforts.

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” (魯大師軟件), a well-known brand and software in China and elsewhere in the world with a specialty in PC/smartphone hardware and system benchmarking and monitoring, has accumulated a large user base through providing free download and installation. Meanwhile, during the first half of 2021, we were committed to the research and development and advertising of various utility software for mobile devices in the domestic market, bringing in a remarkable effect and significant increase of MAUs. As at 30 June 2021, the MAUs of all our PC and mobile device utility software amounted to approximately 192.0 million.

During the first half of 2021, we continued to optimize the functions of the PC version of Ludashi Software. The newly-launched estimation function for power consumption and the benchmarking engines through ray tracing would help users to build a more comprehensive understanding of core hardware such as graphics card, which is helpful for users to select and purchase as well as compare in an all-round manner. In the meantime, based on the upgrading of core benchmarking engines in 2020, we redesigned the list of performance benchmarking to set up a new ranking list, building a more scientific scoring system. Next, we will also continue to carry out iteration for general functions such as cleaning and hardware checking to better serve the users of our Group.

Ludashi Pro software was officially released in December 2020 and, has been in operation and under iteration for half a year. So far, it focuses on IT operation and maintenance industry, computer leasing industry and internet café industry, with product positioning focusing on three core modules of asset digitization and management, asset risk intelligent monitoring and remote risk resolutions, to provide IT asset management resolutions. As at the date of this announcement, it has brought in more than 2,400 validated users and over 10,000 validated devices, garnering widespread validation and compliments from most of our users. Meanwhile, we have established a close strategic cooperation relationship with famous hardware manufacturers to conduct marketing promotion for industry users in the second half of 2021, in order to further expand the user base of Ludashi Pro software.

For the online game platform business of our Group, we had constantly launched new games in the first half of 2021, including Flash port, H5 port and PCs, which contributed to a steady increase in the number of accumulated active users and paying users in our game platform business. The strategy to launch games on diversified ports and improve our service quality is the general goal of our Group in 2021.

For the operation of exclusive licensed online game business, adhering to the launching strategy of “attempt to diversify and category subdivision to break through”, we have built up a sophisticated launching mechanism. From the initial stage of product assessment to the online evaluation, we responded promptly to achieve quick screening and have been exploring the launching strategies for high-quality products. Our Group has launched 8 exclusive licensed online games in the first half of 2021, including various types of games, and also plans to launch 2 new online games in the second half of 2021.

For our electronic devices sales, as there were intense competitions in electronic devices sales industry, and our Group recorded a relatively-low gross profit margin for such business all the time, our Group carried out business realignment in the first half of 2021 and suspended the operation of such business. In the meantime, we will continuously explore new operation models, until we find out a suitable operation model to develop such business.

In the first half of 2021, the Group established the intelligent hardware benchmarking laboratory jointly with the College of Computer Science of Sichuan University* (四川大學計算機學院), and the infrastructure construction of laboratory has been completed. The laboratory possesses testing capacities for various electronic products which can provide performance evaluation for UI fluency, aging ability, display effect and others. Meanwhile, we have carried out testing-related cooperation projects with Ninebot Technology Co., Ltd.* (九號科技有限公司), a well-known smart micro mobility vehicles manufacturer, to strengthen the research on smart micro mobility vehicles so as to carry out performance benchmarking.

Outlook

Looking forward to the second half of 2021, the Epidemic may persist for a period of time and there will be uncertainties arising from the worldwide geopolitical tensions, which may directly or indirectly affect the business of our Group in the future, and thus our overall revenue. The Group will continue to develop our existing principal business while making every effort to seek new business opportunities, including but not limited to developing the exclusive licensed online game business, continuously enriching domestic product matrix for mobile devices and enterprise business segment, in order to mitigate the adverse impact brought by the above factors.

We aim to further increase the user number and stickiness of our Ludashi Software and game business by upgrading and improving our software products and enriching our product matrix. In the meantime, we will leverage on our expertise in PC and mobile device hardware and system benchmarking and monitoring to develop innovative products and enhance our monetization capability. In addition, through stabilizing the relationship with our suppliers, customers and users to obtain stable economic benefits.

In the second half of 2021, the Group will continue to implement the following strategies and strive to become a reliable hardware expert and leading internet company:

- In order to keep providing customers with better services and experience, we will continue to update and iterate the Ludashi Software and Ludashi Pro software, rapidly enrich the content of our products. With a more proactive attitude and our professional knowledge, we will provide users with more comprehensive, flexible and easy-to-use products;
- Constantly expand the scale of investment in game business promotion, combine the game directing business and game launching business, and keep 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; and
- Continue to attract and retain talents and professionals, and 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 services, online game platform and operation of exclusive licensed online game business. The revenue from electronic devices sales includes revenue generated from sales of certified pre-owned and factory smartphones, smart accessories and other electronic devices.

Our revenue decreased by approximately 6.4% from approximately RMB183.0 million for the six months ended 30 June 2020 to approximately RMB171.4 million for the six months ended 30 June 2021. Such decrease was mainly due to the fierce competitions in electronic devices sales industry, and in view of the relatively-low gross profit margin of such business, our Group carried out business realignment in the first half of 2021 and suspended the operation of electronic devices sales business.

The following table sets forth our revenue by amount and as a percentage of our revenue for the six months ended 30 June 2020 and 2021:

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>Proportion</i>	<i>RMB'000</i>	<i>Proportion</i>
	(unaudited)	(%)	(unaudited)	(%)
Online traffic monetization				
Online advertising services	105,837	61.8	83,629	45.7
Online game platform	50,807	29.6	54,395	29.7
Operation of exclusive licensed online game business	14,390	8.4	1,195	0.7
Electronic devices sales				
Certified pre-owned and factory smartphones sales	—	—	43,057	23.5
Smart accessories sales	282	0.2	329	0.2
Certified pre-owned and factory other electronic devices sales	52	0.0	409	0.2
Total	171,368	100.0	183,014	100.0

(i) Online traffic monetization

(a) Online advertising services

Our revenue from online advertising services increased by approximately 26.6% from approximately RMB83.6 million for the six months ended 30 June 2020 to approximately RMB105.8 million for the six months ended 30 June 2021. This was due to the Group's efforts to actively develop and promote domestic mobile utility products, which achieved a result to some extent and increased our revenue.

(b) Online game platform

Our revenue from online game platform decreased by approximately 6.6% from approximately RMB54.4 million for the six months ended 30 June 2020 to approximately RMB50.8 million for the six months ended 30 June 2021. This was mainly due to game players spending long time for the home quarantine in the first half of 2020 and high payment amount, while there was no such home quarantine measure in the first half of 2021.

(c) Operation of exclusive licensed online game business

Our Group has commenced the mass operation of exclusive licensed game business since 2020. In the first half of 2021, the Group released a total of 8 web games with exclusive licenses for operation. As of 30 June 2021, our revenue from operation of exclusive licensed online game business was approximately RMB14.4 million.

(ii) Electronic devices sales

Our revenue from the electronic devices sales decreased by approximately 99.3% from approximately RMB43.8 million for the six months ended 30 June 2020 to approximately RMB0.3 million for the six months ended 30 June 2021, which was mainly due to intense competitions in electronic devices sales industry, which resulted in lower gross profit margin of the Group for such business, and therefore our Group carried out business realignment in the first half of 2021 and suspended the operation of electronic devices sales business.

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 2020 and 2021:

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>Proportion</i>	<i>RMB'000</i>	<i>Proportion</i>
	(unaudited)	(%)	(unaudited)	(%)
Online traffic monetization				
Advertising and promoting	84,621	91.0	39,507	44.4
Server leasing	8,178	8.8	6,556	7.4
Electronic devices sales				
Certified pre-owned and factory smartphones sales	–	–	42,723	48.0
Smart accessories sales	102	0.1	44	0.1
Certified pre-owned and factory other electronic devices sales	71	0.1	112	0.1
Total	92,972	100.0	88,942	100.0

(i) Online traffic monetization

Cost of online traffic monetization business increased by approximately 101.3% from approximately RMB46.1 million for the six months ended 30 June 2020 to approximately RMB92.8 million for the six months ended 30 June 2021, which was mainly due to a significant increase in promotion of the domestic mobile utility software on the one hand and in promotion of online games on the other hand in order to continue to develop the online game platform and operate the exclusive licensed games business.

(ii) Electronic devices sales

Cost of electronic devices sales decreased by approximately 99.5% from approximately RMB42.9 million for the six months ended 30 June 2020 to approximately RMB0.2 million for the six months ended 30 June 2021, which was mainly due to the significant decrease in sales of electronic devices.

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 2020 and 2021:

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Online traffic monetization	78,235	45.7	93,156	66.9
Electronic devices sales	161	48.2	916	2.1
Total gross profit and gross profit margin	78,396	45.7	94,072	51.4

Our gross profit decreased by approximately 16.7% from approximately RMB94.1 million for the six months ended 30 June 2020 to approximately RMB78.4 million for the six months ended 30 June 2021, and the gross profit margins were approximately 51.4% and 45.7% for the six months ended 30 June 2020 and 2021, respectively. The decrease in gross profit margin was mainly due to the increase in promotion of the domestic mobile utility software and online game businesses in the first half of 2021.

Other income

Other income increased by approximately 56.1% from approximately RMB4.1 million for the six months ended 30 June 2020 to approximately RMB6.4 million for the six months ended 30 June 2021, which was due to the increase in the corresponding interest income of bank deposits and government grants.

Other gains and losses

Other gains and losses decreased by approximately 92.3% from other gains of approximately RMB2.6 million for the six months ended 30 June 2020 to other gains of approximately RMB0.2 million for the six months ended 30 June 2021, which was due to the loss in exchange gains and losses.

Administrative expenses

Administrative expenses decreased by approximately 5.0% from approximately RMB20.2 million for the six months ended 30 June 2020 to approximately RMB19.2 million for the six months ended 30 June 2021, which was due to the decrease in consulting services fees.

Research and development expenses

Research and development expenses increased by approximately 46.7% from approximately RMB13.5 million for the six months ended 30 June 2020 to approximately RMB19.8 million for the six months ended 30 June 2021, which was mainly due to the recruitment of research and development staff for the operation of exclusive licensed games business and the increase in the average salary of our existing research and development staff.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 23.7% from approximately RMB11.4 million for the six months ended 30 June 2020 to approximately RMB14.1 million for the six months ended 30 June 2021, which was mainly due to the increase in staff cost for marketing staff and marketing promotional expenses.

Taxation

Taxation decreased by approximately 79.0% from approximately RMB6.4 million for the six months ended 30 June 2020 to approximately RMB1.4 million for the six months ended 30 June 2021. Such decrease was mainly due to the reduction in profit before taxation in the first half of 2021 as compared to that of the corresponding period in 2020.

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 54.6% from approximately RMB48.2 million for the six months ended 30 June 2020 to approximately RMB21.9 million for the six months ended 30 June 2021.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Since Listing, we have financed our cash requirements through a combination of cash generated from operating activities, the proceeds from the pre-IPO investments and the proceeds from the Listing. In the future, we expect to continue 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 2020 and 30 June 2021, our bank balances and cash amounted to approximately RMB369.2 million and approximately RMB320.1 million, respectively.

Our 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 certain trade payables denominated in foreign currencies held by us. We believe the existing bank balances, trade receivables and certain 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 2021, 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 2020 and for the six months ended 30 June 2021:

	For the six months ended 30 June 2021 RMB'000 (unaudited)	For the year ended 31 December 2020 RMB'000 (unaudited)
Purchase of property and equipment	1,715	3,183
Purchase of intangible assets	1,650	4,907
Purchase of intellectual properties	—	6,182
Total	<u>3,365</u>	<u>14,272</u>

Our capital expenditures primarily include expenditures for purchase of property and equipment such as laboratories, servers and computers, expenditures for purchase of intangible assets such as trademarks and franchises and expenditures for purchase of intellectual properties such as copyrights of games. For the six months ended 30 June 2021, we funded our capital expenditure requirements mainly from daily operation and receivables from sales and services we provided.

SIGNIFICANT INVESTMENTS HELD

We had no significant investment as at 30 June 2021.

SIGNIFICANT ACQUISITION AND DISPOSAL

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2021, there was no specific plan for material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, we had 222 full-time employees, all of whom are located in the PRC and Hong Kong. Specifically, such full-time employees included 3 senior management members, 76 personnel who are responsible for sales and marketing, 119 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 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 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 2021, the Group did not have any pledge of assets.

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2021, the Group did not have any significant contingent liabilities, guarantees or any litigation.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2021 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 2021.

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 the Corporate Governance Code 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 2021.

In addition, the auditor has reviewed the condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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) and the website of the Company (www.ludashi.com). The 2021 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 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;
“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,” “our Group”	the Company, its subsidiaries and the PRC Operating Entities;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS(s)”	Hong Kong Financial Reporting Standards;
“HKAS(s)”	Hong Kong Accounting Standards;

“HKICPA”	the Hong Kong Institute of Certified Public Accountants;
“H5”	a markup language used for structuring and presenting content on the World Wide Web, which is the fifth and current major version of the HTML standard;
“Listing”	the Listing of the Shares on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Liu 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 computers;
“PRC Operating Entities”	collectively, Chengdu Qilu and Liu Liyou 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;
“RMB”	Renminbi, the lawful currency of the PRC;
“Reporting Period”	the six months ended 30 June 2021;
“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, 31 August 2021

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*