

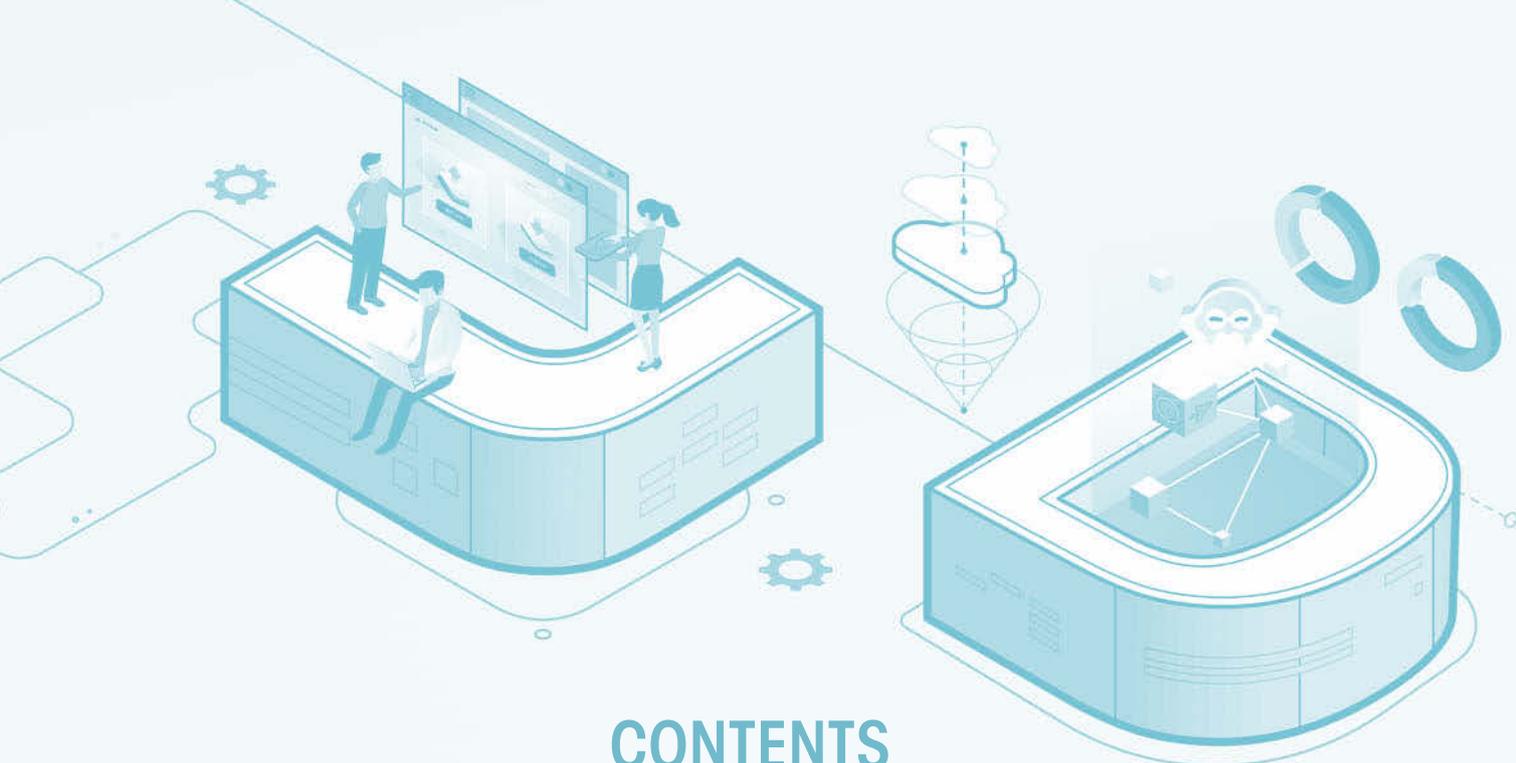


# 360 LUDASHI HOLDINGS LIMITED 魯大師控股有限公司

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

## 2023 INTERIM REPORT





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# CORPORATE INFORMATION

## THE BOARD OF DIRECTORS

### Executive Directors

Mr. Tian Ye (*Chairman*)  
Mr. He Shiwei

### Non-executive Directors

Mr. Sun Chunfeng  
Mr. Liu Wei  
Mr. Zhao Dan

### Independent non-executive Directors

Mr. Li Yang  
Mr. Wang Xinyu  
Mr. Zhang Ziyu

## AUDIT COMMITTEE

Mr. Zhang Ziyu (*Chairman*)  
Mr. Li Yang  
Mr. Wang Xinyu

## NOMINATION COMMITTEE

Mr. Tian Ye (*Chairman*)  
Mr. Li Yang  
Mr. Wang Xinyu

## REMUNERATION COMMITTEE

Mr. Wang Xinyu (*Chairman*)  
Mr. Tian Ye  
Mr. Zhang Ziyu

## COMPANY SECRETARY

Mr. Cheng Ching Kit

## AUTHORIZED REPRESENTATIVES

Mr. Tian Ye  
Mr. Cheng Ching Kit

## AUDITOR

Deloitte Touche Tohmatsu  
*Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*  
35/F, One Pacific Place, 88 Queensway  
Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

11/F, 11-24 Tianfu Software Site E1  
1268 Tianfu Avenue, High-tech Zone  
Chengdu, Sichuan Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai, Hong Kong



## LEGAL ADVISERS

*As to Hong Kong laws:*

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

*As to PRC laws:*

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

*As to Cayman Islands laws:*

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

## HONG KONG BRANCH SHARE REGISTRAR

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

## PRINCIPAL BANKER

China Merchants Bank Chengdu Tianfudadao  
Sub-Branch

## STOCK CODE

3601

## COMPANY WEBSITE

[www.ludashi.com](http://www.ludashi.com)



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

### Business Review

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

In the first half of 2023, the Group continued to focus on the development of its online traffic monetization business. Through upgrading and iteration of our products, as well as research and development and launch of new products, we continued to explore new business directions and profit growth points for our online advertising services business. As for our online game business, including the operation of online game platforms and operation of exclusive licensed online game business, we acquired new gamers and expanded our users base by continuously launching attractive new online games and marketing and promotional campaigns.

We develop a series of PC and mobile device utility software which are offered to users free of charge in exchange for online traffic that we monetize by online advertising and online game business. In particular, our utility software, "Ludashi Software", a well-known brand and software in China and elsewhere in the world specializing in PC/smartphone hardware and system benchmarking and monitoring, has accumulated a large users base through providing free download and installation. Meanwhile, we are committed to the research and development and advertising of various utility software for mobile devices in the domestic market, from which we have accumulated a vast number of active users. In the first half of 2023, although we continued to promote the traffic purchase for the PC version of Ludashi Software, due to the sluggish overall PC market in China, the promotion effect failed to meet our expectations and the number of our MAUs of our PC port decreased. Therefore, as at 30 June 2023, the MAUs of all our PC and mobile device utility software amounted to approximately 92.1 million.



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

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

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

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

As for the operation of exclusive licensed online game business, adhering to the distribution strategy of “making diversified attempts and realizing breakthroughs in niche market”, the Group has established a comprehensive distribution mechanism. From the initial evaluation upon product connection, to the launch of online traffic purchase test and to large scale promotion, we conducted data validation in a prompt manner to realize quick screening and have been exploring distribution strategies for high quality products. Currently, the Group focuses on the role-playing game category for its domestic exclusive licensed online games, card game and business simulation game categories for overseas exclusive licensed online games. Our current and upcoming online game categories cover business operation simulation game, role-playing game, casual competitive game, card game, etc. In the first half of 2023, the Group expanded its users base through launching more exclusive licensed online games. Currently, we have two well-performing exclusive licensed online games and expect to launch three new online games in the second half of the year.

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

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

## OUTLOOK

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

The Group will further increase the user numbers and stickiness of our utility software and online game business through continued efforts to actively improve our software products and enrich our product matrix. In the meantime, we will leverage on our expertise in PC, mobile device hardware, system benchmarking and monitoring to develop innovative products so as to enhance our monetization capability. In addition, we will, through stabilizing the relationship with our suppliers, customers and users, strive to increase our operating revenue and profitability and continue to create greater value for our Shareholders and investors.



In the second half of 2023, the Group will continue to implement the following strategies and strive to become a reliable hardware expert and leading internet company:

- update and iterate the PC version of Ludashi Software on an on-going basis, and proactively improve our product features to adapt to more requirements of users;
- continuously develop various types of online games and explore new distribution strategies for our premium products, and keep distributing and operating our exclusive licensed online games in China and overseas;
- constantly expand the scale of promotion investment in online game business, combine the online game traffic direction business with online game distribution business, and keep improving our competitiveness, so as to expand the scale of our operational revenue;
- continue to enrich the domestic and overseas product matrix for mobile devices, and obtain more quality users through the development and promotion of more diversified utility products;
- further improve our product quality, maintain and expand our user base, and stabilize the overseas markets by strengthening our research and development capability, and enhance our brand image as a reliable hardware expert; and
- continue to attract and retain talents and professionals, and form strategic alliances with business partners and pursue investments and acquisitions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

We derived revenue from two business lines, namely online traffic monetization and electronic devices sales. The revenue of online traffic monetization is generated from online advertising services, online game platforms and the operation of exclusive licensed online game business. The revenue from electronic devices sales mainly includes revenue from sales of smart accessories.

Our revenue increased by approximately 61.5% from approximately RMB180.6 million for the six months ended 30 June 2022 to approximately RMB291.8 million for the six months ended 30 June 2023. Such increase was mainly due to the Group's acquisition of Tianjin Qiyu, the Group acquired 80% equity interest in Tianjin Qiyu in early May 2023 and the Group's equity interest in Tianjin Qiyu increased from 20% to 100%. Tianjin Qiyu had two well-performing exclusive licensed online games, which resulted in an increase in our revenue compared to the same period of 2022, and also resulted in an increase in trade receivables compared to the year ended 31 December 2022.

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

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



(i) *Online traffic monetization*

(a) *Online advertising services*

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

(b) *Online game platforms*

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

(c) *Operation of exclusive licensed online game business*

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

(ii) *Electronic devices sales*

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

### Costs of sales and services

The following table sets forth a breakdown of our costs of sales and services by amount and as a percentage of costs of sales and services for the six months ended 30 June 2022 and 2023:

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

(i) *Online traffic monetization*

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

(ii) *Electronic devices sales*

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



### Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by business line for the six months ended 30 June 2022 and 2023:

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

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

### Other income

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

### Other gains and losses

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

### Administrative expenses

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

### Research and development expenses

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

### Selling and distribution expenses

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

### Taxation

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

### Profit and total comprehensive income for the period

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

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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

As at 31 December 2022 and 30 June 2023, our bank balances and cash amounted to approximately RMB532.9 million and approximately RMB471.5 million, respectively.

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

As at 30 June 2023, we did not have any bank borrowings. Accordingly, no gearing ratio is presented.



## CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the year ended 31 December 2022 and for the six months ended 30 June 2023:

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

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

## SIGNIFICANT INVESTMENTS HELD

In order to effectively utilize the Group's idle funds and generate better returns, the Group has from time to time subscribed principal-guaranteed structured deposit products issued by reputable commercial bank with its idle funds.

These structured deposit products subscribed by the Group (the "Structured Deposit Products") are fully principal-guaranteed with minimal risks involved and their returns are relatively high as compared with the deposit interest rates generally offered by commercial banks in the PRC. The Structured Deposit Products were funded by the Group's idle funds with a relatively short term which would not affect the operational liquidity of the Group.

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

**i. The Structured Deposit Product Agreement XXV**

Date: 12 January 2023

Product: Gold-linked Series Bullish Three-tier 90-day Structured Deposit of China Merchants Bank\*  
(招商銀行點金系列看漲三層區間90天結構性存款)

Parties: Liu Liyou Technology and China Merchants Bank

Amount of the deposit: RMB20 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.85% to 3.00%

Term of the deposit: 90 days

Value date: 13 January 2023

Expiry date: 13 April 2023

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Liu Liyou Technology has no right of early termination and redemption of the product



## ii. The Structured Deposit Product Agreement XXVI

Date: 19 January 2023

Product: Gold-linked Series Bullish Two-tier 90-day Structured Deposit of China Merchants Bank\*  
(招商銀行點金系列看漲兩層區間90天結構性存款)

Parties: Anyixun Technology and China Merchants Bank

Amount of the deposit: RMB30 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.85% to 2.86%

Term of the deposit: 90 days

Value date: 20 January 2023

Expiry date: 20 April 2023

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Anyixun Technology has no right of early termination and redemption of the product

### iii. The Structured Deposit Product Agreement XXVII

Date: 23 March 2023

Product: Gold-linked Series Bullish Three-tier 96-day Structured Deposit of China Merchants Bank\*  
(招商銀行點金系列看漲三層區間96天結構性存款)

Parties: Liu Liuyou Technology and China Merchants Bank

Amount of the deposit: RMB20 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.85% to 3.00%

Term of the deposit: 96 days

Value date: 24 March 2023

Expiry date: 28 June 2023

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Liu Liuyou Technology has no right of early termination and redemption of the product



#### iv. The Structured Deposit Product Agreement XXVIII

Date: 9 May 2023

Product: Gold-linked Series Bullish Two-tier 92-day Structured Deposit of China Merchants Bank\*  
(招商銀行點金系列看漲兩層區間92天結構性存款)

Parties: Anyixun Technology and China Merchants Bank

Amount of the deposit: RMB30 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.85% to 2.86%

Term of the deposit: 92 days

Value date: 10 May 2023

Expiry date: 10 August 2023

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Anyixun Technology has no right of early termination and redemption of the product

#### v. The Structured Deposit Product Agreement XXIX

Date: 15 May 2023

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

Parties: Liu Liuyou Technology and China Merchants Bank

Amount of the deposit: RMB25 million

Type: Principal-guaranteed with floating interest rate

Linked subject and deposit interest: The interest on such deposit is linked to the price of gold. Deposit interest is determined based on the performance of the linked gold price

Expected maturity interest rate per annum: 1.85% to 3.00%

Term of the deposit: 92 days

Value date: 16 May 2023

Expiry date: 16 August 2023

Risk rating of the product (the risk rating made by the bank): R1 (cautious)

Termination and redemption: Liu Liuyou Technology has no right of early termination and redemption of the product

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

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

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



## MATERIAL ACQUISITIONS AND DISPOSALS

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

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, we had 275 full-time employees, all of whom are located in the PRC. Specifically, such full-time employees included 2 senior management members, 110 employees who are responsible for sales and marketing, 137 employees who are responsible for research and development and 26 administrative employees.

We offer employees competitive remuneration, performance-based bonuses and incentives. Our employees' performance is reviewed every year on the basis of, among other criteria, their ability to achieve stipulated performance targets. We place great emphasis on the training and development of our employees. We have developed a series of personalized training conferences based on our industry experience over the years. We invest in continuing education and training programs for our management personnel and other employees with a view to constantly upgrading their skills and knowledge. We also arrange internal and external professional training programs to develop our employees' skills and knowledge. These programs include further education, basic economic and financial knowledge and skills training, as well as professional development courses for our management personnel. New employees are required to attend induction meetings to ensure they have understanding of the Group and the necessary skills to perform their duties. In accordance with the applicable PRC laws and regulations, we have made contributions to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing provident funds for our employees.

## PLEDGE OF ASSETS

As at 30 June 2023, the Group did not have any pledge of assets.

## CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2023, the Group did not have any significant contingent liabilities, guarantees or any litigations.

## EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2023 and up to the date of this report.



## OTHER INFORMATION

### INTERIM DIVIDEND

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

### COMPLIANCE WITH THE CG CODE

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

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

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

### MODEL CODE FOR SECURITIES TRANSACTIONS

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



## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

## CHANGE IN DIRECTORS' INFORMATION

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

## CONTRACTUAL ARRANGEMENTS

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment\* (外商投資准入特別管理措施(負面清單)) and the Catalogue of Industries for Encouraging Foreign Investment\* (鼓勵外商投資產業目錄) collectively, (the "Catalogues"), which were promulgated and are amended from time to time jointly by the Ministry of Commerce and the National Development and Reform Commission of the PRC. The Catalogues divide industries into three categories in terms of foreign investment, namely "encouraged," "restricted" and "prohibited", and all industries not listed under any of these categories are deemed to be "permitted". The Group is principally engaged in online monetization in the form of online advertising and online game business, and the online game business operations are subject to the foreign investment restrictions according to the relevant PRC laws and regulations. As such, the Group operates its online game business through the PRC Operating Entities. The Group does not directly own any equity interest in Chengdu Qilu, which is held by the Relevant Shareholders, namely (i) Qihu Technology (41.6667%); (ii) Mr. Tian Ye (28.1155%); (iii) Shanghai Songheng (23.8095%); and (iv) Qilu Haochen (6.4083%).

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



## OTHER INFORMATION

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”), which were amended on 10 September 2008, 6 February 2016 and 29 March 2022, respectively. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including provision of Internet content services. In addition, prior to 1 May 2022, a major foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a good proven track record of business operations overseas (the “**Qualification Requirements**”). Under the latest amendments to the FITE Regulations which became effective on 1 May 2022, the foreign investors’ equity ownership in a company providing value-added telecommunications services in the PRC is still prohibited from exceeding 50%, unless otherwise provided in the PRC laws, regulations or rules. In addition, the latest FITE Regulations have abolished the Qualification Requirements such that it is no longer a pre-requisite for establishing foreign-invested value-added telecommunications enterprises in the PRC. Based on the Notice regarding the Strengthening of Ongoing and Post Supervision of Foreign Invested Telecommunication Enterprises issued by the Ministry of Industry and Information Technology (“**MIIT**”) in October 2020, foreign invested telecommunications enterprises are also no longer required to obtain the prior MIIT approval letter on foreign investment in telecommunications businesses. Nonetheless, these enterprises still need to submit the relevant materials to the MIIT to apply for telecommunications operating permits, and the other requirements provided by the FITE Regulations still apply. Essentially, the corresponding foreign investment will also be considered by the MIIT in its approval process for the telecommunications operating permits (the “**MIIT Approval Process**”). However, as of 30 June 2023, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation to clarify the MIIT Approval Process.

Despite the lack of clear guidance or interpretation on the requirements for foreign investors investing in value-added telecommunications business in the PRC, and no further implementing regulations or rules to the latest FITE Regulations have been promulgated, with reference to past and current effective regulations, as at the date of this report, the Company still takes all reasonable steps to satisfy the track record requirements for foreign investment in telecommunications businesses. The Company will continue to communicate with the relevant governmental authorities and provide updates where necessary. We will unwind and terminate the Contractual Arrangements wholly or partially once our business is no longer prohibited or restricted from foreign investment.



## Business Overview of the PRC Operating Entities

Both of Chengdu Qilu and its subsidiaries Liu Liuyou Technology, Tianjin Qiyu and Chengdu Mijiayou Technology Company Limited\* (成都米加遊科技有限公司) are the PRC Operating Entities principally engaged in the online game operation.

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

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

### *Risks Relating to the Contractual Arrangements*

- In order to comply with the PRC laws and regulations limiting foreign ownership of internet businesses, we conduct our business through our PRC Operating Entities by way of Contractual Arrangements. If the PRC Government determines that these Contractual Arrangements do not comply with applicable regulations, our business could be materially and adversely affected.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law of the PRC and its implementation rules and how it may impact the viability of our current corporate structure, corporate governance and business operations.
- The Contractual Arrangements may not be as effective in providing operational control as direct ownership and Chengdu Qilu or its shareholders may fail to perform their obligations under the Contractual Arrangements.



## OTHER INFORMATION

- We may lose the ability to use and enjoy assets and licenses held by Chengdu Qilu and its subsidiaries that are material to the operation of our business if Chengdu Qilu or its subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of investment of the Shareholders.
- Shareholders of Chengdu Qilu may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.
- We conduct our business operation in the PRC through Chengdu Qilu and its subsidiaries by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws.
- If we exercise the option to acquire equity ownership of Chengdu Qilu, the ownership transfer may subject us to certain limitations and substantial costs.

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

### *Measures Taken by the Company to Mitigate Risks*

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

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



## AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

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

## USE OF NET PROCEEDS FROM THE LISTING

The Company was listed on the Main Board of the Stock Exchange on 10 October 2019 and the net proceed raised from the Listing were approximately HK\$123.1 million after deducting underwriting commissions and related expenses (the "**Net Proceeds**").

## OTHER INFORMATION

On 15 December 2022, the Company has changed the use of the Net Proceeds. For details, please refer to the announcement of the Company dated 15 December 2022 (the “**Announcement of Change in Use of Net Proceeds**”). The following table sets forth an analysis of the actual use of the revised allocation of net proceeds as of 30 June 2023:

Purposes	Allocation of Net Proceeds as set out in the Prospectus (HK\$ million)	Unutilized Net Proceeds in use on 15 December 2022 (HK\$ million)	Adjusted	Net balance of the Net Proceeds as at 31 December 2022 (HK\$ million)	Utilized Net Proceeds for the six months ended 30 June 2023 (HK\$ million)	Net balance of the Net Proceeds as at 30 June 2023 (HK\$ million)	Timeframe for utilization of the balance of the Net Proceeds
			allocation of the unutilized Net Proceeds after change in use on 15 December 2022 (HK\$ million)				
(i) to enhance the Group’s research and development capability	36.9	9.1	9.1	9.1	4.7	4.4	On or before 31 December 2023
(ii) to advertise and promote Ludashi Software and related software and products on the third parties’ electronic platforms, and continue to carry out the Group’s existing marketing plans	24.6	8.4	8.4	8.4	4.8	3.6	On or before 31 December 2023
(iii) to enhance the Group’s own certified pre-owned and factory smartphones e-commerce platform and offline sales channel	24.6	17.6	-	-	-	-	N/A
(iv) to make additional strategic investments and acquisitions in cash alone or in combination with equity	24.6	-	-	-	-	-	N/A
(v) for working capital and general corporate purposes	12.4	-	-	-	-	-	N/A
(vi) to advertise and promote online games operated by the Group	Nil	N/A	17.6	17.6	10.0	7.6	On or before 31 December 2023
<b>Total</b>	<b>123.1</b>	<b>35.1</b>	<b>35.1</b>	<b>35.1</b>	<b>19.5</b>	<b>15.6</b>	

During the Reporting Period, the Net Proceeds had been applied in accordance with the allocations and purposes as stated in the Prospectus and the Announcement of Change in Use of Net Proceeds and set out above and were expected to be used in accordance with the purposes as set forth above.



## SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 9 September 2019 which took effect upon Listing, under which certain selected employees (including, among others, Directors and full-time employees) may be granted options to subscribe for the Shares to motivate them to optimize their future contributions to the Group. For more details, please refer to the section headed “Directors’ Report” of the 2022 Annual Report.

The number of options available for grant under the Share Option Scheme as at the beginning and end of the Reporting Period was 26,000,000. During the six months ended 30 June 2023 and up to the date of this report, no share options had been granted, exercised, cancelled or lapsed under the Share Option Scheme, nor were any options outstanding under the Share Option Scheme.

## SHARE AWARD SCHEME

The Company has not adopted any share award scheme.

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### Interest in the Shares

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

Notes:

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

## OTHER INFORMATION

2. Hongmeng Investment holds 0.87% of the issued share capital of the Company. Hongmeng Investment is directly and wholly owned by Mr. He Shiwei. Mr. He Shiwei is therefore deemed to be interested in all the Shares held by Hongmeng Investment.

Save as disclosed above, as at 30 June 2023, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2023, to the best knowledge of the Directors or chief executive of the Company, the substantial shareholders, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

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



## Notes:

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

Save as disclosed above, so far as known to the Directors, as at 30 June 2023, no other persons (other than the Directors or chief executive), had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

**TO THE SHAREHOLDERS OF 360 LUDASHI HOLDINGS LIMITED**

*(incorporated in Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of 360 Ludashi Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 31 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

30 August 2023

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

For the Six Months Ended 30 June 2023



	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3	291,800	180,627
Costs of sales and services		(201,954)	(95,548)
Gross profit		89,846	85,079
Other income	4	5,329	4,970
Impairment losses under expected credit loss model, net of reversal		(1,805)	176
Other gains and losses	5	(1,563)	(11,110)
Selling and distribution expenses		(13,119)	(11,335)
Administrative expenses		(16,177)	(17,159)
Research and development expenses		(23,838)	(19,297)
Share of results of associates		(2,096)	1,829
Finance costs		(52)	(68)
Profit before taxation		36,525	33,085
Taxation	6	(5,135)	(6,975)
Profit and total comprehensive income for the period	7	31,390	26,110
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		28,573	23,578
Non-controlling interests		2,817	2,532
		31,390	26,110
Earnings per share			
Basic (in RMB cents)	9	10.62	8.77

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
<b>Non-current assets</b>			
Intangible assets		2,802	2,999
Property, plant and equipment	10	5,882	8,105
Goodwill	17	989	-
Interests in associates	11	14,232	1,032
Financial assets at fair value through profit or loss ("FVTPL")	12	3,000	4,600
Deferred tax assets		13,899	13,309
Prepayments	14	13,373	16,623
		<b>54,177</b>	46,668
<b>Current assets</b>			
Trade receivables	13	80,020	38,204
Other receivables, deposits and prepayments	14	36,835	22,683
Inventories		206	166
Tax recoverable		1,036	582
Financial assets at FVTPL	12	55,176	20,000
Term deposits		30,000	-
Cash and cash equivalents		471,540	532,902
		<b>674,813</b>	614,537
<b>Current liabilities</b>			
Trade and other payables	15	85,413	50,371
Contract liabilities		4,778	206
Lease liabilities		1,230	2,144
Income tax payable		4,778	6,473
		<b>96,199</b>	59,194
<b>Net current assets</b>		<b>578,614</b>	555,343
<b>Total assets less current liabilities</b>		<b>632,791</b>	602,011
<b>Capital and reserves</b>			
Share capital	16	2,425	2,425
Reserves		624,716	596,143
Equity attributable to owners of the Company		627,141	598,568
Non-controlling interests		5,380	2,563
<b>Total equity</b>		<b>632,521</b>	601,131
<b>Non-current liability</b>			
Lease liabilities		270	880
		<b>632,791</b>	602,011

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2023



	Attributable to owners of the Company					Subtotal RMB'000	Non- controlling interests RMB'000 Note (ii)	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000 Note (i)	Other reserve RMB'000	Accumulated profits RMB'000			
At 1 January 2022 (audited)	2,425	159,482	25,790	(9)	352,259	539,947	5,012	544,959
Profit and total comprehensive income for the period	-	-	-	-	23,578	23,578	2,532	26,110
Acquisition of non-controlling interests	-	-	-	-	(1,895)	(1,895)	(290)	(2,185)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,634)	(2,634)
At 30 June 2022 (unaudited)	2,425	159,482	25,790	(9)	373,942	561,630	4,620	566,250
At 1 January 2023 (audited)	<b>2,425</b>	<b>159,482</b>	<b>26,720</b>	<b>(9)</b>	<b>409,950</b>	<b>598,568</b>	<b>2,563</b>	<b>601,131</b>
Profit and total comprehensive income for the period	-	-	-	-	<b>28,573</b>	<b>28,573</b>	<b>2,817</b>	<b>31,390</b>
At 30 June 2023 (unaudited)	<b>2,425</b>	<b>159,482</b>	<b>26,720</b>	<b>(9)</b>	<b>438,523</b>	<b>627,141</b>	<b>5,380</b>	<b>632,521</b>

Notes:

- (i) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to set aside 10% of their profit after tax as per statutory financial statements determined under the PRC laws and regulations for the statutory surplus reserve fund until the reserve reach 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners of the subsidiaries. The statutory surplus reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.
- (ii) At 30 June 2023, the non-controlling interests is the equity interest in Tianjin Liu Liuyou Technology Co., Ltd.\*, held by a third party other than the Company.

\* English name for reference only.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Net cash from operating activities</b>	<b>20,146</b>	51,816
<b>Investing activities</b>		
Purchase of property, plant and equipment	(498)	(2,663)
Proceeds from disposal of property, plant and equipment	–	1,450
Purchase of financial assets at FVTPL	(125,000)	(150,000)
Withdrawal of financial assets at FVTPL	90,000	160,353
Interest received from financial assets at FVTPL	594	1,194
Payment for rental deposits	(37)	–
Payment for acquisition of associates	(11,000)	(3,000)
Placement of term deposits with initial terms of over three months	(30,000)	–
Net cash inflows on acquisition of a subsidiary (Note 17)	1,519	–
Prepayment for game development and license	(1,500)	–
<b>Net cash (used in) from investing activities</b>	<b>(75,922)</b>	7,334
<b>Financing activities</b>		
Purchase of non-controlling interests	–	(2,185)
Dividends paid to a non-controlling interest shareholder	(4,570)	(2,634)
Repayments of lease liabilities	(1,524)	(1,059)
Interest paid	(52)	(68)
<b>Net Cash used in financing activities</b>	<b>(6,146)</b>	(5,946)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(61,922)</b>	53,204
<b>Cash and cash equivalents at beginning of the period</b>	<b>532,902</b>	384,975
<b>Effect of foreign exchange rate changes</b>	<b>560</b>	5,499
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>471,540</b>	443,678

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023



## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

### Application of new and amendments to HKFRSs

In the current interim period and subsequent in July 2023, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

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

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

## 3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of online advertising services, online game platforms, operation of exclusive licensed online game business and sales of smart accessories in the PRC.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

### 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

#### Segment information

The Group's chief operating decision maker has been identified as chief executive officer who reviews revenue analysis by business lines when making decisions about allocating resources and assessing performance of the Group.

As there is no other discrete financial information available for assessment of performance of different business lines, only entity-wide disclosures and geographic information are presented.

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Online traffic monetization		
– Online advertising services	102,196	95,427
– Online game platforms	65,121	81,893
– Operation of exclusive licensed online game business	124,255	3,202
Electronic devices sales		
– Smart accessories sales	228	105
Total	291,800	180,627

#### Geographical information

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



For the Six Months Ended 30 June 2023

### 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Timing of revenue recognition

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

### 4. OTHER INCOME

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

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

### 5. OTHER GAINS AND LOSSES

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

### 6. TAXATION

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

### 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Directors' and chief executive's remuneration	2,533	2,494
Other staff costs		
– Salaries and other benefits	32,650	29,302
– Retirement benefit schemes	2,408	2,215
Total staff costs	37,591	34,011
Depreciation of property, plant and equipment including right-of-use assets (included in "administrative expenses, selling and distribution expenses and research and development expenses")	2,721	2,656
Amortisation of intangible assets (included in "costs of sales and services, administrative expenses and research and development expenses")	197	204
Total depreciation and amortisation	2,918	2,860
Cost of inventories sold	65	74
Impairment losses recognised on non-financial assets (include in "other gains and losses")	–	16,954



For the Six Months Ended 30 June 2023

## 8. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2023 and 2022. The directors of the Company have determined that no dividend will be paid in respect of the interim period (for the six months ended 30 June 2022: Nil).

## 9. EARNINGS PER SHARE

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

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

During the current interim period, the Group incurred approximately RMB112,000 (six months ended 30 June 2022: RMB324,000) for decoration cost of new office premise, approximately RMB360,000 (six months ended 30 June 2022: RMB222,000) for expenditure on new electronic equipment, approximately RMB26,000 (six months ended 30 June 2022: RMB89,000) for expenditure on new furniture and fixtures and equipment, and no expenditure on new motor vehicles (six months ended 30 June 2022: RMB2,028,000) and no expenditure on lease modification (six months ended 30 June 2022: RMB421,000 due to an increase in consideration).

During the six months ended 30 June 2022, the Group disposed of certain motor vehicle with an aggregate carrying amount of RMB1,061,000 for cash proceeds of RMB1,450,000, resulting a gain on disposal of RMB223,000, net of value-added tax and no such disposal occurred during the current interim period.

### 11. INTERESTS IN ASSOCIATES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Cost of investment in associates	33,050	17,700
Share of post-acquisition losses and other comprehensive expenses	(4,574)	(2,424)
Impairment loss recognised	(14,244)	(14,244)
	14,232	1,032



For the Six Months Ended 30 June 2023

## 11. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates at the end of the reporting period are as follows:

Name of entities	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities	Investment costs	
			six months ended	year ended	six months ended	year ended		six months ended	year ended
			30 June 2023	31 December 2022	30 June 2023	31 December 2022		30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Beijing Sihai Chuangwei Technology Co., Ltd.* (北京四海創海科技有限公司)	PRC	PRC	20%	20%	20%	20%	Online advertising	8,800	8,800
Shanghai Kaizhan Information Technology Co., Ltd.* (上海凱戰網絡科技有限公司)	PRC	PRC	8%	8%	33%	33%	Live streaming service	8,000	8,000
Tianjin Youbenzhiquan Technology Co., Ltd.* (天津有本之泉科技有限公司)	PRC	PRC	40%	40%	40%	40%	Technical service	500	500
Tianjin Qiuyu Information Technology Co., Ltd.* (天津旗魚科技有限公司) ("Tianjin Qiuyu") (Note (i))	PRC	PRC	N/A	20%	N/A	20%	Online game business	N/A	400
Chengdu Yunyou Tianxia Technology Co., Ltd.* (成都雲遊天下科技有限公司) ("Chengdu Yunyou") (Note (ii))	PRC	PRC	15%	Nil	15%	Nil	Online game business	9,750	-
Hangzhou Jingqiqu Network Technology Co., Ltd.* (杭州競其趣網絡科技有限公司) ("Hangzhou Jingqiqu") (Note (ii))	PRC	PRC	15%	Nil	15%	Nil	Gaming Hotel Reservation Management	6,000	-
								33,050	17,700

\* English name for reference only.

Notes:

- (i) During the six months ended 30 June 2023, the Group acquired 80% interest in Tianjin Qiuyu from its shareholder for a consideration of RMB2,292,000 and the equity interest of Tianjin Qiuyu owned by the Group increased from 20% to 100% (Note 17).
- (ii) During the six months ended 30 June 2023, the Group acquired 15% interests in each of Chengdu Yunyou and Hangzhou Jingqiqu through capital injection of RMB9,750,000 and RMB6,000,000, respectively and has the rights to appoint one of the three directors of Chengdu Yunyou and Hangzhou Jingqiqu, respectively. According to the articles of associations, the boards of directors of Chengdu Yunyou and Hangzhou Jingqiqu are responsible to approve the decision to direct the operation and financing activities of Chengdu Yunyou and Hangzhou Jingqiqu and the directors of the Company consider that the Group has significant influence over Chengdu Yunyou and Hangzhou Jingqiqu respectively and they are therefore classified as associates of the Group. As a result of equity interests purchases above, the goodwill attributable to the Group amounted to RMB5,434,000 and RMB4,098,000 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

### 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Unlisted equity investments:		
- Chengdu Jingtanhao Technology Co., Ltd.* (成都驚歎號科技有限公司)	-	1,600
- Sichuan Be-Reborn Network Co. Ltd.* (四川比瑞波恩網絡有限公司)	3,000	3,000
	<b>3,000</b>	4,600
Structured bank deposits (Note)	<b>55,176</b>	20,000
	<b>58,176</b>	24,600
Analysed for reporting purposes as:		
- Current assets	55,176	20,000
- Non-current assets	3,000	4,600
	<b>58,176</b>	24,600

\* English name for reference only.

Note:

During the six months ended 30 June 2023 and the year ended 31 December 2022, the Group entered into several structured bank deposit agreements with banks in the PRC. The banks guaranteed 100% of the invested principal amount and floating interest rate of 1.85% to 3.00% per annum (2022: 1.59% to 3.20% per annum) with maturity periods ranging from 90 days to 96 days (2022: 84 days to 92 days) as specified in the agreement.



For the Six Months Ended 30 June 2023

## 13. TRADE RECEIVABLES

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

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

Related parties	Relationship	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
360 Technology Group Co., Ltd.* (三六零科技集團有限公司) ("360 Technology")	Subsidiary of Shareholder of Beijing Qihu Technology Co., Ltd.* (北京奇虎科技有限公司) ("Beijing Qihu")	2,213	4,183
Beijing Qifutong Technology Co., Ltd.* (北京奇付通科技有限公司) ("Beijing Qifutong")	360 Technology's subsidiary	80	8
Beijing Star World Technology Co., Ltd.* (北京世界星輝科技有限責任公司) ("Beijing Star World")	Subsidiary of Shareholder of Beijing Qihu	4,836	6
Quyoutime (Beijing) Technology Co., Ltd.* (趣游時代(北京)科技有限公司) ("Quyoutime")	Beijing Star World's subsidiary	2,259	–
Beijing Sihai chuangwei Technology Co.,Ltd.* (北京四海創為科技有限公司)	Associate of the Group	8	8
Total		<b>9,396</b>	4,205

\* English name for reference only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

### 13. TRADE RECEIVABLES (CONTINUED)

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

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

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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

### 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Notes:

- (i) As at 30 June 2023, the amount represents unsecured, non-trade, interest-free and with a term of one year loan receivable from Shenzhen Zhilu Technology Co., Ltd.\* (深圳市智魯科技有限公司).
- (ii) The amount is unsecured, interest-free and repayable in one day and it mainly represents receivables from third party payment platforms in respect of the Group's online game business.

\* English name for reference only.



For the Six Months Ended 30 June 2023

## 15. TRADE AND OTHER PAYABLES

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

Note:

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

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

Related parties	Relationship	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Beijing Qihu	Shareholder of the Company	18	28
Shanghai Songheng Network Technology Inc.* (上海嵩恆 網絡科技股份有限公司) (“Shanghai Songheng”)	Shareholder of the Company	–	54
		<b>18</b>	<b>82</b>

\* English name for reference only.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

### 15. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

### 16. SHARE CAPITAL

	Number of shares	Share Capital	
		HK\$000	RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	10,000,000,000	100,000	90,321
Issued and fully paid			
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	269,000,000	2,690	2,425



For the Six Months Ended 30 June 2023

## 17. ACQUISITION OF A SUBSIDIARY

On 1 May 2023, the Group acquired 80% interest in Tianjin Qiyu from the third party, and the equity interest of Tianjin Qiyu owned by the Group increased from 20% to 100%. Therefore, the Group derecognised its 20% interest in Tianjin Qiyu which was previously classified as an interest in associates and recognised a business acquisition during the current interim period. Tianjin Qiyu is principally engaged in online game business and it was acquired to continue the expansion of the Group's online game business. The acquisition has been accounted for as acquisition of business using the acquisition method.

### Consideration transferred

	<i>RMB'000</i>
Cash	2,292
Interests in associates	574
	<b>2,866</b>

### Assets acquired and liabilities recognised at the date of acquisition

	<i>RMB'000</i>
Trade receivables	41,340
Other receivables, deposits and prepayments	7,090
Cash and cash equivalents	3,811
Trade and other payables	(48,977)
Contract liabilities	(1,387)
Total	<b>1,877</b>

The fair value of trade receivables is RMB41,340,000 and the gross contractual amount for trade receivables due is RMB41,340,000.

### Goodwill arising on acquisition

	<i>RMB'000</i>
Consideration transferred	2,866
Less: recognised amounts of net assets acquired	(1,877)
	<b>989</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

### 17. ACQUISITION OF A SUBSIDIARY (CONTINUED)

#### Net cash inflows arising on acquisition of Tianjin Qiyu

	RMB'000
Consideration paid in cash	(2,292)
Less: cash and cash equivalents acquired	3,811
	1,519

#### Impact of acquisition on the results of the Group

Included in the profit for the interim period is RMB5,973,000 attributable to the additional business generated by Tianjin Qiyu. Revenue for the interim period includes RMB114,943,000 generated from Tianjin Qiyu. Had the acquisition of Tianjin Qiyu been completed on 1 January 2023, revenue for the interim period of the Group would have been RMB543,598,000, and the profit for the interim period would have been RMB30,046,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

### 18. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

#### i Transactions with related parties

Related parties	Relationship	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue from 360 Technology	Subsidiary of Shareholder of Beijing Qihu	6,763	17,328
Revenue from Shanghai Songheng	Shareholder of the Company	-	42
Revenue from Beijing Star World	Subsidiary of Shareholder of Beijing Qihu	1,396	3,288
Revenue from Tianjin Qiyu	Associate of the Group**	42,720	41,764
Revenue from Beijing Qifutong	360 Technology's subsidiary	91	167
Cost to Beijing Star World	Subsidiary of Shareholder of Beijing Qihu	12,254	85
Cost to Beijing Qihu	Shareholder of the Company	33	150
Cost to Quyou Time	Beijing Star World's subsidiary	4,103	-
Cost to Beijing Qiyuan	360 Technology's subsidiary	189	-
Technology Co., Ltd.* (北京奇元科技有限公司)			
Cost to Shanghai Songheng	Shareholder of the Company	39	271

\* English name for reference only.

\*\* Tianjin Qiyu has been a subsidiary of the Group since May 2023.



For the Six Months Ended 30 June 2023

## 18. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

### ii Compensation of key management personnel

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Salaries and allowances	2,489	3,649
Retirement benefit scheme contributions	44	71
	<b>2,533</b>	3,720

## 19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2023

### 19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets	Fair value as at	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship unobservable inputs to fair value
Unlisted equity investment classified at financial assets at FVTPL	30 June 2023 - RMB3,000,000 31 December 2022 - RMB3,000,000	Level 3	Market multiple approach based on the recent transaction price	Multiples used in the recent transaction price	The higher the multiples used in the recent transaction price, the higher the fair value; the lower the multiples used in the recent transaction price, the lower the fair value
Unlisted equity investment classified at financial assets at FVTPL	30 June 2023 - RMB0 31 December 2022 - RMB1,600,000	Level 3	Discount cash flow models	Discount rate/revenue growth rates	The higher the discount rate, the lower the fair value; the lower the revenue growth rates, the lower the fair value
Structured bank deposits	30 June 2023 - RMB55,176,000 31 December 2022 - RMB20,000,000	Level 3	Discount cash flow models	Discount rate/estimated return	The higher the discount rate, the lower the fair value; the lower the estimated return, the lower the fair value

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

### 20. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 30 June 2023 and up to the date of approval of these condensed consolidated financial statements.

# DEFINITION AND GLOSSARY



“360”	360 Security Technology Inc. (三六零安全科技股份有限公司) (formerly known as Jiangnan Jiajie Elevator Stock Company Limited* (江南嘉捷电梯股份有限公司)), a joint stock company with limited liability incorporated in the PRC and ultimately controlled by Mr. Zhou Hongyi, one of our controlling shareholders, whose shares are listed and traded on the Shanghai Stock Exchange (上海證券交易所) (stock code: 601360), and one of our controlling shareholders
“360 Group”	360 and its subsidiaries
“360 Technology”	360 Technology Group Co., Ltd.* (三六零科技集團有限公司) (formerly known as Tianjin Qisi Technology Company Limited* (天津奇思科技有限公司), 360 Technology Inc.* (三六零科技股份有限公司) and 360 Technology Co., Ltd.* (三六零科技有限公司)), a limited liability company established in the PRC on 15 September 2011 and directly wholly owned by 360, one of our controlling shareholders, and one of our controlling shareholders
“Audit Committee”	the audit committee of the Board
“Anyixun Technology” or “WFOE”	Chengdu Anyixun Technology Company Limited* (成都安易迅科技有限公司), a limited liability company established in the PRC on 20 October 2015 and a wholly-owned subsidiary of the Group
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chengdu Qilu”	Chengdu Qilu Technology Company Limited* (成都奇魯科技有限公司), a limited liability company established in the PRC on 25 November 2014 and is deemed to be a wholly-owned subsidiary of the Company pursuant to the Contractual Arrangements



## DEFINITION AND GLOSSARY

“Chengdu Qilu Shareholder Rights Entrustment Agreement”	the agreement dated 15 January 2018 and taking effect from 29 December 2016 among Mr. Tian Ye, Qihu Technology and Chengdu Qilu, pursuant to which Mr. Tian Ye is entrusted by Qihu Technology to exercise all of Qihu Technology’s rights as a shareholder of Chengdu Qilu (including but not limited to Qihu Technology’s voting power at general meetings of Chengdu Qilu)
“China” or the “PRC”	the People’s Republic of China, for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“China Merchants Bank”	China Merchants Bank Co., Ltd., a joint stock company established in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600036) and the Main Board of the Stock Exchange (stock code: 3968)
“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)
“Company Shareholder Rights Entrustment Agreement”	the agreement dated and taking effect on 4 September 2018 between Dashi Technology Holdings and True Thrive, pursuant to which Dashi Technology Holdings is entrusted by True Thrive to exercise all of True Thrive’s rights as a Shareholder (including but not limited to True Thrive’s voting power at general meetings of the Company)
“Contractual Arrangements”	a series of contractual arrangements entered into among WFOE, Chengdu Qilu and the Relevant Shareholders, details of which are described in “Contractual Arrangements” in the Prospectus
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and unless the context requires otherwise, for the purpose of the Listing Rules, refers to Mr. Tian Ye, Dashi Technology Holdings, True Thrive, 360 Technology, 360, Qixin Zhicheng and Mr. Zhou Hongyi



"Dashi Technology Holdings"	Dashi Technology Holdings Limited (大師控股有限公司), a company incorporated in the British Virgin Islands with limited liability on 31 January 2018 and directly wholly owned by Mr. Tian Ye, one of our controlling shareholders
"Director(s)"	director(s) of the Company
"Entrustment Arrangements"	the entrustment arrangements under the Company Shareholder Rights Entrustment Agreement and the Chengdu Qilu Shareholder Rights Entrustment Agreement in relation to the shareholder rights of True Thrive in the Company in favor of Dashi Technology Holdings and the shareholder rights of Qihu Technology in Chengdu Qilu in favor of Mr. Tian Ye, respectively, details of which are set out in the section headed "History, Reorganization and Corporate Structure – Entrustment Arrangements" in the Prospectus
"Group", "we", "us" and "our", "Ludashi" or "360 Ludashi"	the Company, its subsidiaries and the PRC Operating Entities
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongmeng Investment"	Hongmeng Investment Co. Ltd (鴻蒙投資有限公司), a limited liability company incorporated in the British Virgin Islands on 16 March 2018 and directly wholly owned by Mr. He Shiwei, a Director
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKASs"	Hong Kong Accounting Standards
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange



## DEFINITION AND GLOSSARY

“Liu Liuyou Technology”	Tianjin Liu Liuyou Technology Company Limited* (天津六六遊科技有限公司), a limited liability company established in the PRC on 17 April 2017
“Ludashi Software”	hardware and system benchmarking and monitoring software and App operated by the Group
“MAU(s)”	monthly active user(s), a key performance indicator for software, Apps and online games. Monthly active users are calculated by counting the number of unique devices that activate the software, Apps or online games for at least once during a calendar month
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“PC(s)”	Personal computers
“PRC Operating Entities”	collectively, Chengdu Qilu and its subsidiaries (and “PRC Operating Entity” means any one of them), the financial results of which have been consolidated and accounted for as the subsidiaries of the Company by virtue of the Contractual Arrangements
“Prospectus”	the prospectus of the Company dated 26 September 2019
“Qihu Technology”	Beijing Qihu Technology Company Limited* (北京奇虎科技有限公司), a limited liability company incorporated in the PRC on 13 August 2007, one of the Relevant Shareholders and directly wholly owned by 360 Technology, one of our controlling shareholders
“Qilu Haochen”	Chengdu Qilu Haochen Enterprise Management Consulting Company Limited* (成都奇魯昊宸企業管理諮詢有限公司), a limited liability company incorporated in the PRC on 7 February 2018, and one of the Relevant Shareholders, owned as to 43.76% by Mr. He Shiwei, an Executive Director, and 56.24% by three independent third parties



"Qixin Zhicheng"	Tianjin Qixin Zhicheng Technology Company Limited* (天津奇信志成科技有限公司), a limited liability company established in the PRC on 2 December 2015 and one of our controlling shareholders, ultimately controlled by Mr. Zhou Hongyi, one of our controlling shareholders
"Relevant Shareholder(s)"	Qihu Technology, Mr. Tian Ye, Shanghai Songheng and Qilu Haochen, being the registered shareholders of Chengdu Qilu
"Reporting Period"	the six months ended 30 June 2023
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Dongfangwang"	Shanghai Dongfangwang Stock Company Limited* (上海東方網股份有限公司), a limited liability company established in the PRC on 5 July 2000
"Shanghai Gaoxin"	Shanghai Gaoxin Computer System Company Limited* (上海高欣計算機系統有限公司), a limited liability company established in the PRC on 4 January 2013 and wholly owned by Shanghai Songheng, one of our Relevant Shareholders and a substantial shareholder of the Company
"Shanghai Songheng"	Shanghai Songheng Network Technology Company Limited* (上海嵩恒網絡科技股份有限公司) (formerly known as Shanghai Songheng Network Technology Company Limited* (上海嵩恒網絡科技有限公司)), a limited liability company established in the PRC on 18 March 2014 and owned aggregately by 20 Independent Third Parties, and one of the Relevant Shareholders and a substantial shareholder of the Company
"Songheng Group"	Shanghai Songheng and its subsidiaries



## DEFINITION AND GLOSSARY

“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 9 September 2019, a summary of the principal terms and conditions of which are set forth in “Appendix IV – Statutory and General Information – D. Share Option Scheme” in the Prospectus
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Songchang International”	Songchang International Limited, a limited liability company incorporated in the British Virgin Islands on 9 May 2018, wholly owned by Songyuan International, a substantial shareholder of the Company, and a substantial shareholder of the Company
“Songyuan International”	Hong Kong Songyuan International Limited (香港嵩遠國際有限公司), a limited liability company incorporated in Hong Kong on 1 December 2017, indirectly wholly owned by Shanghai Songheng, one of the Relevant Shareholders and a substantial shareholder of the Company, and a substantial shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Qiyu”	Tianjin Qiyu Network Technology Company Limited* (天津旗魚網絡科技有限公司), a limited liability company established in the PRC on 3 December 2019 and become a wholly-owned subsidiary of the Company since May 2023
“True Thrive”	True Thrive Limited (誠盛有限公司), a limited liability company incorporated in the Cayman Islands on 12 October 2015, wholly owned by 360 Technology, one of our controlling shareholders, and one of our controlling shareholders
“%”	per cent

\* For identification purpose only