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LEYOU TECHNOLOGIES HOLDINGS LIMITED
樂遊科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1089)

**DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION**

**ACQUISITION OF THE REMAINING 39% OF
THE ISSUED SHARE CAPITAL OF DIGITAL EXTREMES**

THE CALL NOTICE ANNOUNCEMENT

The Board previously announced in the Call Notice Announcement that, on 30 December 2015, Multi Dynamic Games served the Call Notice on the 39% Vendors to exercise the 39% Call Option pursuant to the New Shareholders' Agreement to acquire the 39% Sale Shares from the 39% Vendors, receipt of which was acknowledged on 1 January 2016.

THE 39% ACQUISITION

On 28 April 2016 (after trading hours), Multi Dynamic Games, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, among other parties, with the 39% Vendors, pursuant to which each of the 39% Vendors shall sell, as the legal and beneficial owner, and Multi Dynamic Games shall purchase the 39% Sale Shares at the 39% Consideration on the 39% Acquisition Closing Date.

Upon the 39% Acquisition Closing, both the common shares and Class B Special shares in the issued share capital of Digital Extremes will be held as to 97.0% by Multi Dynamic Games and 3.0% by Perfect Online.

LISTING RULES IMPLICATIONS

Discloseable transaction

The acquisition of the 58% of the issued share capital of Digital Extremes, which was completed on 21 July 2015, constituted a major transaction of the Company. One or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the 39% Acquisition (i) on a stand-a-lone basis exceed 5% but less than 25%; and (ii) when aggregated with the Acquisition exceed 25% but less than 100%. As the 39% Acquisition when aggregated with the Acquisition would not constitute a transaction of higher category than the Acquisition, the 39% Acquisition would not be aggregated with the Acquisition and would constitute a discloseable transaction. Therefore, the 39% Acquisition shall be subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected transaction

Given that among the 39% Vendors, Ontario Ltd. 1, Ontario Ltd. 4 and Digital Extremes Employee Share Trust are connected persons of the Company, the 39% Acquisition also constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. However, in view that each of Ontario Ltd. 1, Ontario Ltd. 4 and Digital Extremes Employee Share Trust are connected persons at the subsidiary level of the Company, and given that (i) the terms of the 39% Acquisition are negotiated on arm's length basis with Ontario Ltd. 1, Ontario Ltd. 4 and Digital Extremes Employee Share Trust, and on normal commercial terms; (ii) the Board has approved the 39% Acquisition and that none of the Directors has a material interest in the 39% Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the 39% Acquisition are fair and reasonable, and on normal commercial terms and in the interest of the Company and the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the connected transaction under the 39% Acquisition is exempt from circular, independent financial advice and shareholders' approval.

As the completion of the 39% Acquisition is subject to (a) all approvals, consents and waivers necessary for the 39% Acquisition as required by any governmental authority are obtained and remain effective as of the 39% Acquisition Closing Date, and (b) the 39% Acquisition is in compliance with the requirements of applicable laws, the 39% Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Reference is made to the Announcements and the Circular. Unless otherwise defined below, capitalized terms used in this announcement shall have the same meaning as those used in the Circular.

INTRODUCTION

The Board previously announced in the Call Notice Announcement that, on 30 December 2015, Multi Dynamic Games served the Call Notice on the 39% Vendors to exercise the 39% Call Option pursuant to the New Shareholders' Agreement to acquire the 39% Sale Shares from the 39% Vendors, receipt of which was acknowledged on 1 January 2016.

On 28 April 2016 (after trading hours), Multi Dynamic Games, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with, among other parties, the 39% Vendors, pursuant to which each of the 39% Vendors shall sell, as the legal and beneficial owner, and Multi Dynamic Games shall purchase the 39% Sale Shares on the 39% Acquisition Closing Date. The principal terms and conditions of the 39% Acquisition are set forth below:

THE 39% ACQUISITION

Date of the Sale and Purchase Agreement

28 April 2016

Parties

Purchaser	:	Multi Dynamic Games
Vendors	:	Ontario Ltd. 1; Ontario Ltd. 4; Ontario Ltd. 5; and Digital Extremes Employee Share Trust
Other parties	:	Digital Extremes; and Perfect Online

Assets to be acquired

The 39% Sale Shares, representing 39% of the issued share capital of Digital Extremes.

Consideration

Consideration for the 39% Acquisition is US\$63,000,000 plus the US dollar equivalent of the Vendors' Distributable Profits Shortfall of C\$2,660,828. For the purposes of this announcement and illustration only, the 39% Consideration is approximately HK\$505.2 million.

The 39% Consideration (before adjustment of the Vendor's Distributable Profits Shortfall) was arrived based on the figures set out in the 2015 Closing Statement and calculated pursuant to the equations set out in the New Shareholders' Agreement, which amounted to US\$63,603,047 and rounded down to the closest million after arm's length negotiations between Multi Dynamic Games and the 39% Vendors. Based on the 2015 Closing Statement, for the purpose of calculating the 39% Consideration (before adjustment of Vendors' Distributable Profits Shortfall), the Net Profit (2015) was equivalent to US\$35,385,592, which was higher than the Profit Target (2015) of US\$30,000,000 and therefore, the 39% Consideration (before adjustment of the Vendors' Distributable Profits Shortfall) was adjusted to US\$63,603,047, which was rounded down to the closest million as mentioned above. The 39% Consideration was further increased by the US dollar equivalent of C\$2,660,828 based on the adjustment of the Vendors' Distributable Profits Shortfall. Please refer to the Circular and the announcements of the Company dated 21 July 2015 and 28 July 2015 for details of the equations for the adjustment.

Vendors' Distributable Profits Shortfall

For the year ended 31 December 2015, Digital Extremes has Distributable Profits of C\$26,045,565, of which, Vendors' Distributable Profits amount to C\$10,157,770. On the 39% Acquisition Closing Date, Digital Extremes will declare and pay dividends in the amount of C\$19,222,929 to all of its shareholders and the 39% Vendors will receive C\$7,496,942. As Digital Extremes will not declare the Distributable Profits and pay the Vendors' Distributable Profits in full to the 39% Vendors as provided under the New Shareholders' Agreement, the consideration of the 39% Acquisition will be increased by the Vendors' Distributable Profits Shortfall of C\$2,660,828, being the Vendors' Distributable Profits payable to the 39% Vendors but not being declared and paid by Digital Extremes. As the 39% Consideration will be settled in US dollars, the US dollar equivalent of the Vendors' Distributable Profits Shortfall shall be computed by adopting the daily noon exchange rate between Canadian dollars and US dollars as published by The Bank of Canada on the date that is one Business Day immediately prior to the 39% Acquisition Closing Date.

39% Acquisition Closing Date

The closing date of the 39% Acquisition, shall be no later than 13 May 2016 (or otherwise agreed by the 39% Vendors and Multi Dynamic Games).

Payment of the 39% Consideration

The 39% Consideration will be settled by way of wire transfer of immediately available funds in US\$ to the 39% Vendors to an account designated by the 39% Vendors under the Sale and Purchase Agreement and will be funded by a combination of internal resources and external financing.

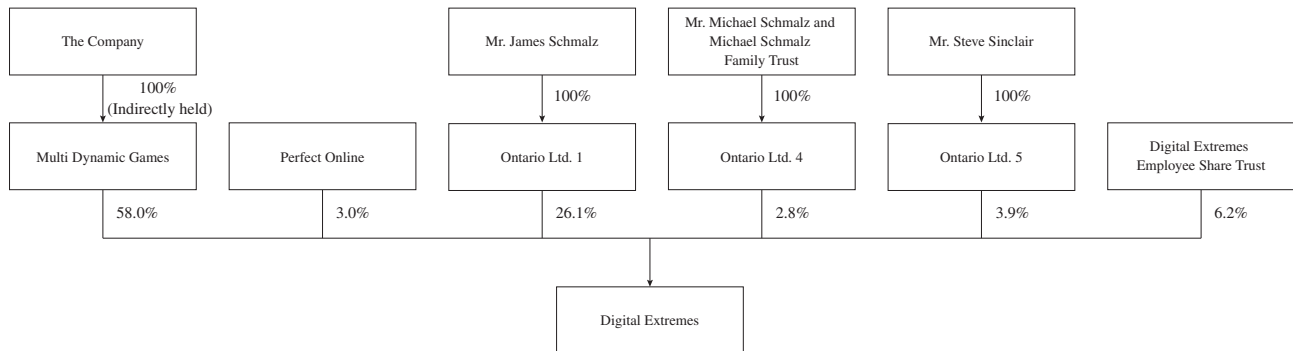
Conditions precedent

The completion of the 39% Acquisition is subject to, among other things, (a) all approvals, consents and waivers necessary for the 39% Acquisition as required by any governmental authority are obtained and remain effective as of the 39% Acquisition Closing Date; and (b) the 39% Acquisition is in compliance with the requirements of applicable laws.

SHAREHOLDING STRUCTURE OF DIGITAL EXTREMES

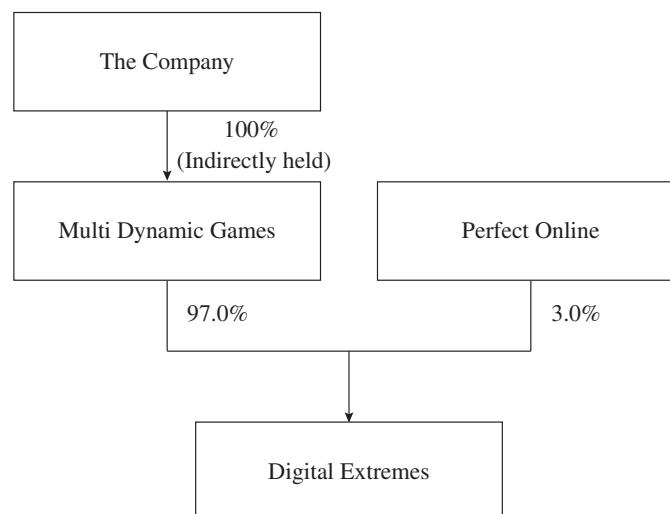
The following are the shareholding structure of Digital Extremes as at the date of this announcement and immediately after the 39% Acquisition Closing:

(i) As at the date of this announcement



Note: The above percentages reflect only the voting share capital of Digital Extremes. The Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, are owned as to 58.0% by Multi Dynamic Games, 3.0% by Perfect Online and 39.0% by Ontario Ltd. 1.

(ii) Immediately upon the 39% Acquisition Closing



Note: The above percentages reflect only the voting share capital of Digital Extremes. The Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, will be owned as to 97.0% by Multi Dynamic Games and 3.0% by Perfect Online immediately after the 39% Acquisition Closing.

INFORMATION ON DIGITAL EXTREMES

Digital Extremes, a non-wholly owned subsidiary of the Company, is a company incorporated under the laws of the Province of Ontario, Canada. Digital Extremes is a next-generation studio developing ground-breaking Free-to-Play, AAA-quality multiplatform video games. Digital Extremes is headquartered and operates in Ontario, Canada and as at the date of this announcement, has a wholly-owned subsidiary, namely Digital Extremes US, Inc., which is principally engaged in marketing support activities.

As at the date of this announcement, (i) the common shares in the issued share capital of Digital Extremes is held as to 58.0% by Multi Dynamic Games, 26.1% by Ontario Ltd. 1, 6.2% by Digital Extremes Employee Share Trust, 3.9% by Ontario Ltd. 5, 3.0% by Perfect Online and 2.8% by Ontario Ltd. 4; and (ii) the Class B Special shares in the issued share capital of Digital Extremes are held as to 58.0% by Multi Dynamic Games, 39.0% by Ontario Ltd. 1 and 3.0% by Perfect Online.

FINANCIAL INFORMATION ON DIGITAL EXTREMES

Set forth below is the key financial information of Digital Extremes based on its audited consolidated financial statements for the years ended 31 December 2014 and 2015 prepared based on IFRS:

	For the year ended 31 December 2014		For the year ended 31 December 2015	
	<i>C\$'000</i> (audited)	<i>HK\$'000</i> (approx.)	<i>C\$'000</i> (audited)	<i>HK\$'000</i> (approx.)
Revenue	65,825	404,824	115,080	707,742
Profit/(loss) before taxation	27,420	168,633	55,102	338,877
Profit/(loss) after taxation	20,146	123,898	40,800	250,920
	As at 31 December			
	2014		2015	
	<i>C\$'000</i> (audited)	<i>HK\$'000</i> (approx.)	<i>C\$'000</i> (audited)	<i>HK\$'000</i> (approx.)
Net assets	26,040	160,146	30,093	185,072

INFORMATION ON THE 39% VENDORS

Ontario Ltd. 1 is an investment holding company, which is wholly-owned by Mr. James Schmalz, chief executive officer and a director of Digital Extremes. Ontario Ltd. 1 is the legal and beneficial holder of 5,226,000 common shares and 3,900 Class B Special shares of Digital Extremes as at the date of this announcement.

Ontario Ltd. 4 is an investment holding company, which is wholly-owned by Mr. Michael Schmalz, president and a director of Digital Extremes, and Michael Schmalz Family Trust. Michael Schmalz is also the trustee of the Michael Schmalz Family Trust. Ontario Ltd. 4 is the legal and beneficial holder of 546,000 common shares of Digital Extremes as at the date of this announcement.

Ontario Ltd. 5 is an investment holding company, which is wholly-owned by Mr. Steve Sinclair, creative director of Digital Extremes. Ontario Ltd. 5 is the legal and beneficial holder of 787,800 common shares of Digital Extremes as at the date of this announcement.

Digital Extremes Employee Share Trust is an *inter vivos* trust created in the Province of Ontario, Canada, and the trustees are Mr. James Schmalz, Mr. Michael Schmalz and Mr. Steve Sinclair. Decisions of the Digital Extremes Employee Share Trust may be made by a simple majority of a vote among the three trustees. Hence, each of Mr. James Schmalz and Mr. Michael Schmalz is considered to have control over one-third of the voting rights of Digital Extremes Employee Share Trust. As a result, Digital Extremes Employee Share Trust is controlled by Mr. James Schmalz and Mr. Michael Schmalz and a connected person of the Company. Digital Extremes Employee Share Trust is the legal and beneficial holder of 1,240,200 common shares of Digital Extremes as at the date of this announcement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Ontario Ltd. 1, Ontario Ltd. 4 and Digital Extremes Employee Share Trust are connected persons of the Company, and Ontario Ltd. 5 is a third party independent of the Company and its connected persons as at the date of this announcement.

INFORMATION ON THE GROUP AND MULTI DYNAMIC GAMES

The Group is principally engaged in the trading and manufacturing of chicken meat products, animal feeds and chicken breeds under the “Sumpo” brand. In July 2015, the Group has expanded into development of free-to-play, AAA-quality multiplatform video games through the completion of the acquisition of 58% of Digital Extremes. Digital Extremes became a non-wholly owned subsidiary of the Company on 21 July 2015.

Multi Dynamic Games is an indirect wholly-owned subsidiary of the Company incorporated in the Province of Ontario, Canada with limited liability and an investment holding company. Multi Dynamic Games is the legal and beneficial holder of 58% of the issued share capital of Digital Extremes as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE 39% ACQUISITION

Prior to completion of the Acquisition, the Group is principally engaged in the trading and manufacturing of chicken meat products, animal feeds and chicken breeds under the “Sumpo” brand. For the year ended 31 December 2014 and 2015, the Company recorded a net loss of RMB10.0 million (equivalent to approximately HK\$11.9 million) and RMB57.9 million (equivalent to approximately HK\$68.9 million), respectively. The Group continues to believe in the need to diversity and reduce its overall risk profile in the trading and manufacturing of chicken meat products, animal feeds and chicken breeds business especially the volatile and cyclical nature of the business due to adverse effects of external factors beyond the Group’s control, such as bird flu epidemics or other poultry virus outbreaks, and to enhance growth and stability of the Group’ future profitability.

Digital Extremes is a next-generation studio developing ground-breaking free-to-play, AAA-quality multiplatform video games. For the year ended 31 December 2014 and 2015, revenue of Digital Extremes amounted to C\$65.8 million and C\$115.1 million (equivalent to approximately HK\$404.8 million and HK\$707.7 million), respectively, representing an increase of 74.9%, and net profit of Digital Extremes amounted to C\$20.1 million and C\$40.8 million (equivalent to approximately HK\$123.9 million and HK\$250.9 million), respectively, representing an increase of 102.9%. The gross profit margin for the year ended 31 December 2014 and 2015 was 54.8% and 57.1%, respectively. The Group continues to believe the gaming industry, and in particular the video gaming sector specializing in free-to-play online games, will continue to be a fast-growing industry.

Furthermore, pursuant to the New Shareholders' Agreement, if Multi Dynamic Games have not exercised the 39% Call Option by 31 December 2015, the 39% Vendors may exercise the Original Shareholders Drag Along Offer to sell the 39% Sale Shares to Multi Dynamic Games at certain minimum purchase price. Multi Dynamic Games shall respond and deliver a written notice to the 39% Vendors to purchase the 39% Sale Shares within 30 days. If Multi Dynamic Games fails to deliver such written notice, within the ROFR Period, the 39% Vendors shall have the right to enter into an agreement with a third party to sell all of the issued and outstanding shares in Digital Extremes, including the 58.0% of Digital Extremes held by Multi Dynamic Games and 3.0% of Digital Extremes held by Perfect Online, at a price no less than that specified in the Original Shareholder Drag Along Offer. If the 39% Vendors exercise such right, Multi Dynamic Games may be required to dispose all of its interests in Digital Extremes.

As such, the Directors, including the independent non-executive Directors, are of the view that it is in the interest of the Company and the Shareholders' as a whole to acquire the 39% Sale Shares to increase and consolidate the Group's interest in Digital Extremes in order to enhance the growth of the Group's future profitability and provide additional value to the Shareholders.

The Directors, including the independent non-executive Directors, are of the view that the terms of the 39% Acquisition are fair and reasonable so far as the Company and the Shareholders are concerned, and are on normal commercial terms.

LISTING RULES IMPLICATIONS

Discloseable transaction

The acquisition of the 58% of the issued share capital of Digital Extremes, which was completed on 21 July 2015, constituted a major transaction of the Company. One or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the 39% Acquisition (i) on a stand-a-lone basis exceed 5% but less than 25%; and (ii) when aggregated with the Acquisition exceed 25% but less than 100%. As the 39% Acquisition when aggregated with the Acquisition would not constitute a transaction of higher category than the Acquisition, the 39% Acquisition would not be aggregated with the Acquisition and would constitute a discloseable transaction. Therefore, the 39% Acquisition shall be subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected transaction

Given that among the 39% Vendors, Ontario Ltd. 1, Ontario Ltd. 4 and Digital Extremes Employee Share Trust are connected persons of the Company, the 39% Acquisition also constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. However, in view that each of Ontario Ltd. 1, Ontario Ltd. 4 and Digital Extremes Employee Share Trust are connected persons at the subsidiary level of the Company, and given that (i) the terms of the 39% Acquisition are negotiated on arm's length basis with Ontario Ltd. 1, Ontario Ltd. 4 and Digital Extremes Employee Share Trust, and on normal commercial terms; (ii) the Board has approved the 39% Acquisition and that none of the Directors has a material interest in the 39% Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the 39% Acquisition are fair and reasonable, and on normal commercial terms and in the interest of the Company and the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the connected transaction under the 39% Acquisition is exempt from circular, independent financial advice and shareholders' approval.

As the completion of the 39% Acquisition is subject to (a) all approvals, consents and waivers necessary for the 39% Acquisition as required by any governmental authority are obtained and remain effective as of the 39% Acquisition Closing Date; and (b) the 39% Acquisition is in compliance with the requirements of applicable laws, the 39% Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB, US\$ and C\$ have been translated, for the purpose of illustration only, into HK\$ (and vice versa) in this announcement at:

RMB1.00	:	HK\$1.19
US\$1.00	:	HK\$7.76
C\$1.00	:	HK\$6.15

DEFINITIONS

Unless the context requires otherwise, the following terms in this announcement shall have the meanings set out below:

“39% Acquisition”	sale and purchase of the 39% Sale Shares, subject to the terms and conditions set forth in the New Shareholders’ Agreement and the Sale and Purchase Agreement
“39% Acquisition Closing”	the completion of the purchase and sale of the 39% Sale Shares
“39% Acquisition Closing Date”	no later than 13 May 2016 (or otherwise agreed by the 39% Vendors and Multi Dynamic Games), being the date on which the 39% Acquisition Closing takes place
“39% Call Option”	the right to purchase the 39% Sale Shares
“39% Consideration”	the consideration for the 39% Acquisition

“39% Sale Shares”	an aggregate of 7,800,000 common shares and 3,900 class B special shares of Digital Extremes, representing 39% of the issued share capital of Digital Extremes, which are legally and beneficially owned by the 39% Vendors
“39% Vendors”	Ontario Ltd. 1, Ontario Ltd. 4, Ontario Ltd. 5 and Digital Extremes Employee Share Trust. References in this announcement to the Circular on “Original Shareholders” shall be substituted with “39% Vendors”
“Announcements”	the announcements of the Company dated 14 October 2014, 17 December 2014, 21 July 2015, 29 July 2015 and 4 January 2016
“C\$” or “Canadian dollar(s)”	Canadian dollars, the lawful currency of Canada
“Call Notice”	a notice to exercise the 39% Call Option served by the Company on the 39% Vendors dated 30 December 2015
“Call Notice Announcement”	the announcement of the Company dated 4 January 2016 regarding the exercise of the 39% Call Option
“Circular”	the circular of the Company dated 23 December 2014
“Digital Extremes”	Digital Extremes Ltd., a company incorporated under the laws of the Province of Ontario, Canada, and an indirect non-wholly owned subsidiary of the Company
“Digital Extremes Employee Share Trust”	Digital Extremes Employee Share Trust, an <i>inter vivos</i> trust created in the Province of Ontario, Canada
“Michael Schmalz Family Trust”	Michael Schmalz Family Trust (2013), an <i>inter vivos</i> trust created in the Province of Ontario, Canada, and Mr. Michael Schmalz is the trustee of the trust

“New Shareholders’ Agreement”	an unanimous shareholder agreement entered into between Multi Dynamic Games, the 39% Vendors, Perfect Online and Digital Extremes relating to Digital Extremes dated 21 July 2015. A summary of the key terms of the agreement was set out in the Circular and the announcement of the Company dated 21 July 2015
“Ontario Ltd. 1”	2375249 Ontario Ltd., a company incorporated under the laws of the Province of Ontario, Canada
“Ontario Ltd. 4”	2475202 Ontario Ltd., a company incorporated under the laws of the Province of Ontario, Canada
“Ontario Ltd. 5”	2475200 Ontario Ltd., a company incorporated under the laws of the Province of Ontario, Canada
“Sale and Purchase Agreement”	a confirmation agreement dated 28 April 2016 entered into by, among other parties, Multi Dynamic Games as purchaser and the 39% Vendors as sellers (after trading hours) for the sale and purchase of the 39% Sale Shares
“US\$” or “US dollar(s)”	US dollars, the lawful currency of the United States of America
“Vendors’ Distributable Profits Shortfall”	the shortfall of C\$2,660,828, being the Vendors’ Distributable Profits payable to the 39% Vendors but not being declared and paid by Digital Extremes, which have been included as part of the 39% Consideration and payable in US dollars

By order of the Board
Leyou Technologies Holdings Limited
Law Kin Fat
Vice Chairman

Hong Kong, 28 April 2016

As at the date of this announcement, the Board comprises Mr. Lin Qinglin, Mr. Law Kin Fat, Mr. Wu Shiming, Mr. He Zhigang, Mr. Wong Ka Fai, Paul and Mr. Hsiao Shih-Jin as executive Directors, Mr. Eric Todd as non-executive Director, and Mr. Hu Chung Ming, Mr. Chau On Ta Yuen, Mr. Chan Chi Yuen and Mr. Yang Chia Hung as independent non-executive Directors.