LEYOU TECHNOLOGIES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1089

ANNUAL REPORT
2015

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Lin Qinglin *(Chairman)*
Mr. Law Kin Fat *(Vice Chairman)*
Mr. Wu Shiming
Mr. He Zhigang
Mr. Wong Ka Fai Paul
Mr. Hsiao Shih-Jin

Non-Executive Director

Mr. Eric Todd

Independent Non-Executive Directors

Mr. Hu Chung Ming
Mr. Chau On Ta Yuen
Mr. Chan Chi Yuen
Mr. Yang Chia Hung

AUDIT COMMITTEE

Mr. Hu Chung Ming *(Committee Chairman)*
Mr. Chau On Ta Yuen
Mr. Chan Chi Yuen

REMUNERATION COMMITTEE

Mr. Hu Chung Ming *(Committee Chairman)*
Mr. Chan Chi Yuen
Mr. Lin Qinglin

NOMINATION COMMITTEE

Mr. Lin Qinglin *(Committee Chairman)*
Mr. Hu Chung Min
Mr. Chau On Ta Yuen

COMPANY SECRETARY

Mr. Yau Yan Ming Raymond

LEGAL ADVISORS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

STOCK CODE

1089

PRINCIPAL BANKERS

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Agricultural Bank of China Limited
Agricultural Development Bank of China
China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.

REGISTERED OFFICE

Cricket Square, Hutchins Drive, PO Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

Principal Place of Business in Hong Kong

Suite 1020-22, 10th Floor, Two Pacific Place,
88 Queensway, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.688, Denggao East Road, Xinluo District, Longyan,
Fujian, PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road, George Town,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

COMPANY WEBSITE

www.le-you.hk/

Chairman's Statement

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors of the Leyou Technologies Holding Limited (the "Company, together with its subsidiaries, the "Group"), I am pleased to present our annual report for the year ended 31 December 2015.

The year 2015 marked the beginning of a new chapter for the Group. With effect from 28 January 2015, we have changed our name from "Sumpo Food Holdings Limited" to "Leyou Technologies Holdings Limited" to reflect some important adjustments in our business strategy and plans. It was also a ground breaking year for the Group when we completed the transaction last July to acquire a 58% stake of the leading Canadian-based video game developer – Digital Extremes Ltd, which developed video games for both consoles and PC platforms and self-published titles through various online distributors. While 2015 has remained a difficult period for our poultry business in China, we are confident that the addition of revenue and incomes from the fast-growing global video gaming industry to the Group's existing business will help diversify our earning base and built a better foundation for future growth ahead.

2015 RESULTS AND REVIEW

The Group's turnover amounted to RMB1,605.8 million, representing a year-over-year growth rate of 31.0% compared to RMB1,226.1 million in 2014. Our loss attributable to the shareholders was up 692.2% to RMB81.6 million, from RMB10.3 million in 2014.

VIDEO GAMING

Our 58% owned, video gaming studio, Digital Extremes had delivered outstanding performance in 2015. Revenue for the fiscal year ended 31 December 2015 was up 74.8% year-over-year to C$115.1 million with an 82.3% year-over-year increase in gross profit to C$65.7 million. Net income for the year also reached a new all-time record high of C$40.8 million, representing an annual growth rate of 102.5% compared to C$20.1 million in 2014. 2015 gross profit and net margin were 57.1% (2014: 54.8%) and 35.5% (2014: 30.6%), respectively. In addition to the excellent operational and financial performance for 2015, we are proud to inform our shareholders that Digital Extremes has recently been named among the top 50 fastest growing tech companies for Canada.

(Footnote: The esteemed Fast 50 awards program recognizes leadership, innovation and excellence in the technology sector, with the highest percentage of revenue growth over 4 years.)

Warframe has been the key growth driver for Digital Extremes and the game has racked up a large number of players across the world. This hugely successful free-to-play third-person shooter game has consistently hovered in and around the top 10 most-played games on Steam. On more global stat-tracking services like Raptr, it breached the top 20, and on the PlayStation Network it was once second only to Netflix. Warframe went Open Beta on PC in March 2013, when there were just over 500,000 registered players. Nine months later, Warframe added PS4™ to the mix, and quickly became the second most downloaded app on PS4™ with nearly 1 million registered players! By the year of fiscal year 2015, total registered players across all platforms have increased further to 18.7 million! Underpinned by excellent users' experience, new contents introduction, and successful marketing and promotional activities, average monthly active users rose to 1.662m in 2015, up 31.8% from 1.261m a year ago. We have also seen a steady improvement in the average retention rate to 11.57% in 2015 through the life of Warframe (2013: 8.89%; 2014: 9.93%). Finally, average concurrent users also surged to 48,393 in 2015 from 31,106 in 2014, representing a 55.6% year-over-year increase. With the strong momentum of Warframe in very recent months, we are confident that 2016 will remain a very successful year for this blockbuster video game.

Another milestone for Digital Extremes was the launch of Warframe in China last year and its early success there. Warframe China, also known as 星際戰甲 ("Galactic Armor"), is an alternative build of Warframe published by ChangYou (PC version since September 2015) and Perfect World (console version since November 2015) developed by Digital Extremes, targeted specifically for Chinese players. Warframe China may look identical to the global counterpart, it does contain Mandarin voice-over quotes and offer exclusive frames and weapons based on Chinese mythology. While North America and Europe would remain the most important markets, contributing 52.4% and 25.3% of overall Warframe revenue in 2015, it is important to note that China has emerged as a new growth engine for Warframe with an 11.6% revenue share just in the last 6 months of 2015. We are working closely with our publishing partners, Changyou and Perfect World, in China to achieve stronger growth and better financial results in this rapidly expanding market.

POULTRY

In light of the impacts on avian influenza and competition from fast-growing chicken, the broiler industry in China has suffered widespread loss in 2015. As a result, we have implemented the following measures to contain the damages of epidemic diseases, cost costs as well as improve productivity, and expand sales channels: 1) enhancing the management planning process and optimizing resource allocation; 2) strengthening technological innovation and promoting standardization in breeding and feeding; 3) constructing better management information system that dynamically adjusted the production and operation plan; 4) reinforcing quality control procedures and safety management; 5) strengthening procurement management and expanding procurement channels; 6) adjusting sales strategy and expand sales channels; and 7) training management and technical personnel so as to keep with the above changes.

BUSINESS STRATEGY AND OUTLOOK

Video Gaming

The global market for video games industry continues to experience healthy growth despite a slowing world economy in 2015. Indeed, researcher Newzoo predicts that global video gaming revenues will reach US$107bn in 2017 representing a 8.6% CGAR growth from US$83.6 billion in 2014. With the first wave of virtual reality hardware and games set to hit shelves in 2016, the age of personal virtual reality is finally arrived. Western markets with large PC and console user bases will ignite device sales for the two platforms and that could further widen the user experience gaps between more sophisticated console/PC and generally more-causal mobile games. With that in mind, we will focus on building a diversified portfolio of profitable video gaming studios with strong IPs and franchises, innovative business model, and world class production capacity in more developed market that have proved their success in developing high-end console and PC-based video games. As a core business strategy for 2016, we remain committed to deploy more capital on the exciting and fast-growing global video gaming business.

In the short-term, we are working on buying the remaining 39% stake of Digital Extremes and the final consideration will be announced shortly. The strong growth and recurrent cash earnings from Digital Extremes is essential for the expansion strategy for the group in 2016. Beyond that, we continue to look for potential acquisition of video gaming studios that would fit our stringent investment criteria and could potentially offer synergies to our existing portfolio. Organically, we also look forward to the revenue uplift from 1) a major update on Warframe to be launched by the third quarter of 2016, as well as 2) an improving penetration of Warframe in China/Asia this year through more engaging and productive partnerships with domestic publishers. Of course, we remain excited by the new game pipeline at Digital Extremes beyond 2016 and the new business opportunities offered by launching VR games in the coming quarters.

POULTRY

We continue to face an arduous task in 2016. Despite our effects to improve raw materials procurement, feed production, breeder and broiler breeding, broiler slaughtering and process, quality and safety management, and sales mix rationalization and channel expansion, we believe the management still has limited control of the business results and profitability under the current harsh operational environment in China. While we would continue to focus on improving the operational performance and reducing losses in the near term, we will soon undertake an in-depth strategic review on the broiling business to assess the options available for Leyou Technology in order to enhance our group profitability and return on investment.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my heartfelt gratitude to our shareholders, members of the Board of Directors, senior management and all our staff for their dedication and contribution during the year. On behalf of the Board of Directors of the Company, I would like to thank our clients, suppliers, and business partners for their relentless support and trust. Going forward, we shall strive to explore further opportunities and overcome challenges, as we remain steadfast and committed to attaining better results for the Group.

LIN QINGLIN
Chairman

29 March 2016

Financial Highlights

	For the year ended 31 December		
	2015	2014	Change
	RMB'000	RMB'000	%
Results Highlights			
Revenue	**1,605,796**	1,226,077	31.0
Gross Profit	**244,263**	110,471	121.1
Gross Profit Margin (%)	**15.2%**	9.0%	6.2ppt**
Loss for the year attributable to the owners of the Company	**81,626**	10,250	696.4
Basic loss per share (RMB cents)	**3.04**	0.51	496.1
Diluted loss per share (RMB cents)	**3.04**	0.51	496.1
Dividend per share (RMB)	**Nil**	Nil	N/A

	As at 31 December		
	2015	2014	Change
	RMB'000	RMB'000	%
Balance Sheet Highlights			
Total assets	**2,040,158**	905,447	125.3
Total borrowings***	**278,467**	263,395	5.7
Net assets	**1,393,301**	507,867	174.3
Net assets per share (RMB)	**0.52**	0.25	108.0
Current ratio	**1.87**	1.34	39.6
Gearing ratio*	**13.5%**	28.5%	(15.0)ppt**

* Gearing ratio = Interest-bearing bank borrowings/Total assets

** ppt = percentage points

*** Total borrowings = Obligation under finance lease + debenture + bank borrowings

Management Discussion And Analysis

Management Discussion and Analysis

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting held on 27 January 2015, the name of the Company has been changed from "Sumpo Food Holdings Limited" to "Leyou Technologies Holdings Limited" and the adoption of the Chinese name "樂遊科技控股有限公司" as the dual foreign name of the Company. The Certificate of Incorporation on Change of Name has been issued by the Registrar of Companies in the Cayman Islands on 28 January 2015 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company confirming the registration of the Company's new English and Chinese names of "Leyou Technologies Holdings Limited" and "樂遊科技控股有限公司" respectively in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) was issued by the Registrar of Companies in Hong Kong on 10 February 2015. The stock short names for trading in the shares on the Stock Exchange has been changed to "LEYOU TECH H" in English and "樂遊科技控股" in Chinese with effect from 9:00 a.m. on 27 February 2015.

BUSINESS REVIEW

The Group's turnover amounted to RMB1,605.8 million, representing a growth rate of 31.0% compared to RMB1,226.1 million in 2014. Our loss attributable to the shareholders was up 692.2% to RMB81.6 million, from RMB10.3 million in 2014.

Video gaming

Our 58% owned, video gaming studio, Digital Extremes had delivered outstanding performance in 2015. The segment revenue and result was approximately RMB322.7 million and RMB170.2 million respectively.

Warframe has been the key growth driver for Digital Extremes and the game has racked up a large number of players across the world. This hugely successful free-to-play third-person shooter game has consistently hovered in and around the top 10 most-played games on Steam.

Another milestone for Digital Extremes was the launch of Warframe in China last year and its early success there. Warframe China, also known as "Galactic Armor", is an alternative build of Warframe published by Changyou.com Ltd ("ChangYou") (PC version since September 2015) and Perfect World (console version since November 2015) developed by Digital Extremes, targeted specifically for Chinese players.

Poultry

The segment had contributed a revenue of approximately RMB1,283 million and a result of approximately RMB77.6 million. In light of the impacts on avian influenza and competition from fast-growing chicken, the broiler industry in China has suffered widespread loss in 2015. As a result, we have implemented different measures to contain the damages of epidemic diseases, cost as well as improve productivity, and expand sales channels as described in the Chairman's Statement. We are dedicated to undertake an in-depth strategic review to capture the best options available for the Company to maintain growth and profit in the future.

FINANCIAL REVIEW

Revenue

The following table sets out a breakdown of our revenue by product categories and their relative percentages of our total revenue during the reporting period:

	For the year ended 31 December				
	2015	**% of total revenue**	2014	% of total revenue	% change in revenue
	RMB'000		RMB'000		
Chicken meat products	**764,992**	**47.6**	754,996	61.6	1.3
Animal feeds	**400,954**	**25.0**	377,800	30.8	6.1
Chicken breeds	**117,196**	**7.3**	93,281	7.6	25.6
Gaming	**322,654**	**20.1**	–	–	N/A
Total	**1,605,796**	**100**	1,226,077	100	31.0

Our total revenue increased by approximately 31.0% from approximately RMB1,226.1 million for the year ended 31 December 2014 to approximately RMB1,605.8 million for the year ended 31 December 2015, primarily due to the increase in the sales volume of chicken meat products and chicken breeds and the revenue contributed from the newly acquired gaming business.

Chicken meat products

Revenue from sales of our chicken meat products business increased by approximately 1.3%, from approximately RMB755.0 million for the year ended 31 December 2014 to approximately RMB765.0 million for the year ended 31 December 2015, primarily as a result of the increase in the sales volume of our chicken meat products.

Animal feeds

Revenue from sales of our animal feeds business increased by approximately 6.1% from approximately RMB377.8 million for the year ended 31 December 2014 to approximately RMB401.0 million for the year ended 31 December 2015, primarily as a result of the increase in the average selling price and the sales volume of animal feeds.

Chicken breeds

Revenue from sales of our chicken breeds business increased by approximately 25.6% from approximately RMB93.3 million for the year ended 31 December 2014 to approximately RMB117.2 million for the year ended 31 December 2015, primarily due to the increase in the sales volume of chicken breeds.

Gaming

Revenue generated from our newly acquired gaming business was approximately RMB322.7 million for the year ended 31 December 2015 (2014: nil).

The following table sets out our total gross profit and gross profit margin by major product categories during the reporting period:

	For the year ended 31 December				
	2015	**% of total gross profit**	2014	% of total gross profit	% change in gross profit
	RMB'000		RMB'000		
Chicken meat products	**(11,084)**	**(4.5)**	40,526	36.7	(127.4)
Animal feeds	**41,642**	**17.0**	22,746	20.6	83.1
Chicken breeds	**43,499**	**17.8**	47,199	42.7	(7.8)
Gaming	**170,206**	**69.7**	–	–	N/A
Total	**244,263**	**100.0**	110,471	100.0	121.1

	For the year ended 31 December	
	2015	2014
	%	%
Gross Profit Margin		
Chicken meat products	**(1.5)**	5.4
Animal feeds	**10.4**	6.0
Chicken breeds	**37.1**	50.6
Gaming	**52.8**	–
Overall	**15.2**	9.0

Gross profit increased by approximately 121.1% from approximately RMB110.5 million for the year ended 31 December 2014 to approximately RMB244.3 million for the year ended 31 December 2015. Our overall gross profit margin increased from approximately 9.0% for the year ended 31 December 2014 to approximately 15.2% for the year ended 31 December 2015, primarily due to the newly acquired gaming business with a relatively high gross profit ratio as compare to the existing poultry segment.

Chicken meat products

Gross profit from our chicken meat products business decreased by approximately 127.4% from approximately RMB40.5 million for the year ended 31 December 2014 to a gross loss of approximately RMB11.1 million for the year ended 31 December 2015. The gross profit margin for our chicken meat products business shrank from approximately 5.4% for the year ended 31 December 2014 to approximately (1.5)% for the year ended 31 December 2015. This was primarily due to the decrease of average selling price and increase in production cost for chicken meat products during the reporting period.

Animal feeds

Gross profit from our animal feeds business increased by approximately 83.1% from approximately RMB22.8 million for the year ended 31 December 2014 to approximately RMB41.6 million for the year ended 31 December 2015. The gross profit margin for our animal feeds business increased from approximately 6.0% for the year ended 31 December 2014 to approximately 10.4% for the year ended 31 December 2015. This was primarily due to the increase in the average selling price of animal feeds during the reporting period.

Chicken breeds

Gross profit from our chicken breeds business decreased by approximately 7.8% from approximately RMB47.2 million for the year ended 31 December 2014 to approximately RMB43.5 million for the year ended 31 December 2015. The gross profit margin for our chicken breeds business decreased from approximately 50.6% for the year ended 31 December 2014 to approximately 37.1% for the year ended 31 December 2015. This was primarily due to the increase of chicken breeds sold, combined with an increase in average selling cost during the reporting period.

Gaming

Gross profit from our gaming business was approximately RMB170.2 million for the year ended 31 December 2015 (2014: nil). The gross profit margin was approximately 52.8% for the reporting year.

Other Revenue and Gains

Other revenue and gains increased by approximately 121.3%, from approximately RMB16.6 million for the year ended 31 December 2014 to approximately RMB36.7 million for the year ended 31 December 2015, primarily as a result of the compensation upon termination from a potential acquisition.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 64.3%, from RMB32.2 million for the year ended 31 December 2014 to approximately RMB52.9 million for the year ended 31 December 2015, primarily as a result of the increase in sales volume and related transportation costs.

Administrative Expenses

Administrative expenses increased by approximately 152.1%, from RMB63.1 million for the year ended 31 December 2014 to approximately RMB159.1 million for the year ended 31 December 2015, primarily as a result of amortization of intangible assets, increase in staff costs and the legal and professional fees for potential acquisitions during the year ended 31 December 2015.

Other Operating Expenses

Other operating expenses decreased by approximately 16.2%, from RMB27.2 million for the year ended 31 December 2014 to approximately RMB22.8 million for the year ended 31 December 2015, mainly due to the decrease in the feeding cost of chicken breeds during the reporting period.

Finance Costs

Finance costs increased by approximately 30.1%, from RMB13.3 million for the year ended 31 December 2014 to approximately RMB17.3 million for the year ended 31 December 2015, primarily as a result of increased bank borrowings.

Taxation

Taxation increased by approximately 8,200.0%, from a tax expense of approximately RMB0.5 million for the year ended 31 December 2014 to a tax expense of approximately RMB41.5 million for the year ended 31 December 2015, primarily as a result of the income from gaming segment within the group companies.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group generally finances its operations with internally generated cash flow and bank facilities for its capital requirements.

On 2 February 2015, the Company agreed to place 398,400,000 shares of the Company at the placing price of HK$1.00 per share to not less than six independent placees. The placing was completed on 14 May 2015. The net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK$388.44 million was utilised for the funding part of the consideration for the acquisition of Digital Extremes Ltd. ("DE Acquisition").

On 24 April 2015, the Company agreed to place 478,080,000 shares at the placing price of HK$1.2 per share to not less than six independent placees. The placing was completed on 14 May 2015. The net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK$559.21 million was utilised for the funding of the DE Acquisition.

As at 31 December 2015, cash and cash equivalents and pledged bank deposits amounted to approximately RMB145.0 million (2014: approximately RMB136.3 million), of which were denominated in Renminbi, Hong Kong Dollars, US Dollars and Canadian Dollars. The increase in cash and cash equivalents is attributable to the net proceeds received from the placing of shares.

Borrowings and Pledged Assets

As at 31 December 2015, the total amount of interest-bearing bank borrowings was approximately RMB275.0 million (2014: approximately RMB257.8 million). The increase in bank borrowings was mainly due to the increase of working capital to cope with the increase in production volume. All the Group's bank borrowings were short-term and denominated in Renminbi with interest rates ranged from 4.6% to 6.7% per annum (2014: 5.0% to 6.6% per annum).

As at 31 December 2015, the bank borrowings were secured by the Group's bank deposits, properties, plant and equipment, prepaid lease payments and unlisted equity securities in the PRC with total carrying value of approximately RMB120.8 million (2014: approximately RMB112.1 million).

Gearing Ratio

As at 31 December 2015, the gearing ratio of the Group was approximately 13.6% (2014: approximately 29.1%). This was calculated by dividing total borrowings with the total assets of the Group as at 31 December 2015. The decrease in the gearing ratio was mainly due to the increase in total assets during the year.

OUTLOOK

Multi-media and gaming business

In the short-term, we are working on buying the remaining 39% stake of Digital Extremes and the final consideration will be announced shortly. We also look forward to the revenue uplift from 1) a major update on Warframe to be launched by the third quarter of 2016, as well as 2) an improving penetration of Warframe in China/Asia this year through more engaging and productive partnerships with domestic publishers. Beyond that, we continue to look for potential acquisition of video gaming studios that would fit our stringent investment criteria and could potentially offer synergies to our existing portfolio.

In particular, the Board sees the significant and growing demand in Asia in the video game industry, especially in China. We are confident that the addition of a strong video game developer to the Group's existing businesses will help diversify our earnings base, strengthen our foundation for future growth, and reinforce our vision as an internationally recognized enterprise. On 10 March 2016, an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreement and the supplementary agreement in relation to the acquisition of the entire equity interests in 惠州智彬科技有限公司 (Huizhou Zhibin Technology Ltd.*) which has entered into an entrusted management agreement to operate and manage 訊鴻科技開發有限公司 (Xunhong Technologies Development Company Limited*). The acquired company is currently engaged in the business of mobile application design, technology development, technical services, mobile commerce, mobile internet and business information consultancy in the PRC.

Poultry

Despite our efforts to improve in all aspect of the segment, we believe the management still has limited control of the business results and profitability under the current harsh operational environment in China. We will soon undertake an in-depth strategic review on the broiling business to assess the options available for Leyou Technology in order to enhance our Group profitability and return on investment.

OTHER INFORMATION

1. **Human Resources**

   As at 31 December 2015, the Group had 1,986 employees. Employee costs, including directors' emoluments, amounted to approximately RMB149.4 million for year ended 31 December 2015 (2014: RMB15.6 million). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the position offered. The Group contributes to a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

   The Company also adopted a share option scheme on 11 January 2011. For the year ended 31 December 2015, the Company granted an aggregate of 158,400,000 share options to certain eligible participants with the exercise price of HK$1.20 per share.

* For identification purpose only

2. **Foreign Exchange Risk**

The Group's main operations are in the PRC and Canada. Most of the assets, income, payments and cash balances are denominated in Renminbi, Canadian Dollars and US Dollars. The Company has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on the Company's performance.

3. **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

On 21 July 2015, all conditions under the acquisition of 58% of the entire issued share capital of Digital Extremes have been fulfilled, closing of the acquisition took place and the Group has successfully acquired 58% of the entire issued share capital of Digital Extremes.

On 10 March 2016, an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement and the supplementary agreement in relation to the acquisition of the entire equity interests in 惠州智彬科技有限公司 (Huizhou Zhibin Technology Ltd.*) which has entered into an entrusted management agreement to operate and manage 訊鴻科技開發有限公司 (Xunhong Technologies Development Company Limited*).

4. **Contractual and Capital Commitments**

As at 31 December 2015, the Group had operating lease commitments of approximately RMB64.1 million (2014: approximately RMB5.1 million).

As at 31 December 2015, the Group had capital commitments of approximately RMB25.5 million (2014: RMB50.5 million). Relevant commitments were mainly for construction of building facilities of breeder farms, boiler farms, hatching facilities and feed production plant.

5. **Contingent Liabilities**

As at 31 December 2015, the Group had no material contingent liabilities (2014: Nil).

USE OF PROCEEDS

On 16 February 2015, an aggregate of 398,400,000 shares were issued and allotted to not less than six placees under the general mandate to issue shares granted to the Directors at the annual general meeting of the Company held on 6 June 2014 at a price of HK$1.00 per placing share. The Company raised a net proceed of HK$388.44 million, the net price raised per share was HK$0.975 per share. The proceeds have been fully utilized for funding part of the consideration for the acquisition of Digital Extremes Ltd.

On 24 April 2015, an aggregate of 478,080,000 shares were issued and allotted under the general mandate to issue share granted to the Directors at the extraordinary general meeting of the Company held on 24 March 2015 at a price of HK$1.20 per placing share. The Company raised a net proceeds of approximately HK$559.21 million, the net price raised per share was approximately HK$1.17. The proceeds had been utilized for funding part of the consideration for the acquisition of Digital Extremes Ltd. to the extent of HK$150.96 million and the remaining balance had been utilized as general working capital for the Group.

Corporate Governance Report

INTRODUCTION

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but will also lay a good foundation for the long-term development of the Company. Therefore the Company will strive to develop and implement effective corporate governance practices and procedures. The Company has adopted a corporate governance code based on the revised Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate.

CORPORATE GOVERNANCE PRACTICES

Throughout the year, the Company has complied with the Code provisions with the following exceptions:

Under Code provision A.2.1, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual.

The two positions were previously taken up by Mr. Lin Qinglin. Upon the resignation of Mr. Lin Qinglin as Chief Executive Officer and appointment of Mr. Wang Haitong as Chief Executive Officer on 25 July 2015. The two positions were since then separated.

Save as aforesaid, in the opinion of the Directors, the Company has met all the code provisions set out in the Code during the year ended 31 December 2015.

DIRECTORS

The Board

The Board, led by the Chairman of the Board, steers the Company's business direction. The Board is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. Regular Board meetings are attended by a majority of the directors in person or through other electronic means of communication.

During the year of 2015, the Board held 11 meetings and the Company held its annual general meeting on 16 June 2015 and two respective extraordinary general meetings on 27 January 2015 and 24 March 2015. The attendance records of each Director at the Board meetings and general meetings in 2015 are set out below:

Directors	Board Meetings	General Meetings
Executive Directors		
Mr. Lin Qinglin *(Chairman)*	7/11	0/3
Mr. Law Kin Fat *(Vice Chairman) (appointed on 28 July 2015)*	4/5	N/A
Mr. Wu Shiming	7/11	1/3
Mr. He Zhigang *(appointed on 9 July 2015)*	7/11	N/A
Mr. Wong Ka Fai Paul *(appointed on 9 July 2015)*	8/8	N/A
Mr. Hsiao Shih-Jin *(appointed on 7 March 2016)*	N/A	N/A
Mr. Yeung Chun Wai, Anthony *(resigned on 24 July 2015)*	4/4	3/3
Ms. Wai Ching Sum *(resigned on 8 May 2015)*	0/2	0/2
Mr. Yin Shouhong *(resigned on 9 July 2015)*	0/3	0/3
Mr. Chen Domingo *(appointed on 8 May 2015 and resigned on 24 July 2015)*	2/2	1/1
Non-Executive Director		
Mr. Eric Todd *(appointed on 24 July 2015)*	7/7	N/A
Independent non-executive Directors		
Mr. Hu Chung Ming	11/11	0/3
Mr. Chau On Ta Yuen	8/11	0/3
Mr. Chan Chi Yuen *(appointed on 24 July 2015)*	7/7	N/A
Mr. Yang Chia Hung *(appointed on 7 March 2016)*	N/A	N/A
Mr. Wei Ji Min *(resigned with effect from 1 January 2015)*	–	–
Mr. Chan Fong Kong, Francis *(appointed with effect from 1 January 2015 and resigned on 24 July 2015)*	4/4	2/3

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings.

Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the Board papers, to adequately prepare for the meeting, to keep abreast of the latest developments and financial position of the Company, to enable the Directors to include any matter in the agenda and to make informed decisions.

When needed and upon making request to the Board, Directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all Board meetings and Board committee meetings are kept by the Company Secretary. All of the above minutes record in sufficient detail the matters considered and decisions reached by the relevant members, including any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant Board committees for comment within a reasonable time after each meeting.

According to the current Board practice, any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Company has maintained appropriate insurance cover in respect of legal action against its Directors and officers arising out of corporate activities.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. The two positions were previously taken up by Mr. Lin Qinglin. Upon the resignation of Mr. Lin Qinglin as Chief Executive Officer and the appointment of Mr. Wang Haitong as Chief Executive Officer on 25 July 2015, the two positions were since then separated.

As the Chairman of the Board, Mr. Lin Qinglin is responsible for (among other things), the following:

- ensuring, with the assistance of the management of the Group, that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings;

- providing leadership for the Board;

- ensuring that the Board works effectively, performs its responsibilities, discusses all key and appropriate issues in a timely manner, with good corporate governance practices and procedures;

- drawing up, approving and considering whether to include the matters proposed by other Directors into the agenda for each Board meeting. This responsibility have been delegated to the Company Secretary and a designated Director;

- encouraging all Directors to fully and actively contribute to the Board's affairs and express different views and discuss issues in sufficient depth before reaching any consensus in Board's decisions;
- facilitating the effective contribution of Directors, in particular, non-executive Directors, and promote the constructive relations between executive and non-executive Directors; and
- ensuring the effective communication between the Board and Shareholders as a whole through different channels, including (i) printed or electronic copies (as elected by Shareholders) of corporate communications required by the Listing Rules; (ii) the annual general meeting which provides a forum for Shareholders to raise comments and exchange views with the Board; (iii) the Company's website which allows Shareholders to acquire the updated and key information on the Group and to provide feedback for the Company; and (iv) handling of the enquiries from Shareholders and investors generally.

Board Composition

The Directors during the year and up to the date of this annual report are:

Executive Directors:
Mr. Lin Qinglin *(Chairman)*
Mr. Law Kin Fat *(Vice Chairman) (appointed on 28 July 2015)*
Mr. He Zhigang *(appointed on 9 July 2015)*
Mr. Wong Ka Fai, Paul *(appointed on 9 July 2015)*
Mr. Wu Shiming
Mr. Hsiao Shih-Jin *(appointed on 7 March 2016)*
Mr. Yeung Chun Wai, Anthony *(resigned on 24 July 2015)*
Ms. Wai Ching Sum *(Finance Director) (resigned on 8 May 2015)*
Mr. Yin Shouhong *(resigned on 9 July 2015)*
Mr. Chen Domingo *(appointed on 8 May 2015 and resigned on 24 July 2015)*

Non-executive Director
Mr. Eric Todd *(appointed on 24 July 2015)*

Independent non-executive Directors:
Mr. Hu Chung Ming
Mr. Chau On Ta Yuen
Mr. Chan Chi Yuen *(appointed on 24 July 2015)*
Mr. Yang Chia Hung *(appointed on 7 March 2016)*
Mr. Wei Ji Min *(resigned with effect from 1 January 2015)*
Mr. Chan Fong Kong, Francis *(appointed with effect from 1 January 2015 and resigned on 24 July 2015)*

An updated list of the Directors by category identifying their role and function is at all times available on the websites of the Company and the Stock Exchange. The list specifies whether a Director is an independent non-executive Director and expresses the respective roles and functions of each Director.

The Company identifies the independent non-executive Directors in all corporate communications which disclose the names of Directors.

Details of the biographies of the Directors are given under the section "Directors and Senior Management Profile" of this annual report on pages 33 to 37.

None of the Directors is related to each other.

The independent non-executive Directors play an important role on the Board. They are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of Shareholders and the Group as a whole. Throughout the year of 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise. The number of independent nonexecutive Directors has represented at least one-third of the Board.

Appointments, re-election and removal

Pursuant to Rule 3.13 of the Listing Rules, the Company has received an annual confirmation from each independent non-executive Director confirming his independence. The Company has assessed the independence of the independent non-executive Directors and considers that for the year ended 31 December 2015, all of them to be independent based on the independence criteria in accordance with the requirements in the Listing Rules, their non-involvement in the daily operation and management of the Group, and the absence of any relationships which will interfere with the exercise of their independent judgments.

The Company confirms that year of service of all independent non-executive Directors is less than 9 years.

Under Article 84(1) of the Company's Articles of Association, at each annual general meeting, not less than one-third of the Directors for the time being shall retire from office by rotation and every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every 3 years while those retiring Directors shall be eligible for re-election. Any Director who has not been subject to retirement by rotation in the 3 years preceding the annual general meeting shall retire by rotation at such annual general meeting.

Nomination of Directors

On 28 March 2012, the Board has established a nomination committee (the "Nomination Committee") pursuant to the requirements of the Code, to provide a framework and set the standards for the appointment of high quality Directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Nomination Committee considers matters regarding the nomination and/or appointment or re-appointment of Directors.

Details of the Nomination Committee are set out in the sub-section headed "Nomination Committee" below.

Responsibilities of Directors

The Company Secretary works closely with the newly appointed Directors both immediately before and after his/her appointment to acquaint the newly appointed Directors with the duties and responsibilities as a Director and the business operation of the Company.

A package compiled and reviewed by the Company's legal advisors setting out such duties and responsibilities under the Listing Rules, Companies Ordinance and other related law and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. The Directors are updated with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors from time to time.

The Board views that the independent non-executive Directors are well-aware of their functions and have been actively performing their functions including but not limited to exercising their independent judgment at Board meetings, taking the lead where potential conflicts of interest arise, scrutinizing the Company's performance and providing constructive and informed advice on the business strategy, policy, performance and management of the Company. They regularly review the financial information, monitor the operational performance of the Company and serve on the Audit Committee, Remuneration Committee and Nomination Committee as required.

The Directors will disclose to the Company at the time of their appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. They will also inform the Company of the identity of other public companies or organisations they serve and the time involved in these public companies or organisations.

All Directors have devoted their time and attention to the affairs of the Company with their hands-on knowledge and expertise in the areas and operation in which he/she is charged with. The contribution made by the Directors to the affairs of the Company is measured in terms of time as well as quality of the attention and the ability of the Directors with reference to his/her necessary knowledge and expertise. The attendance of Board meetings, general meetings and Board committee meetings indicates the constant participation of all Directors, including executive and non-executive Directors, and ensures the better understanding of the views of Shareholders by Directors. The extent of participation and contribution should be viewed both quantitatively and qualitatively.

To fulfill their duties properly, where they consider it as necessary to obtain additional information other than that is provided by the management of the Group, the Directors made inquiries during the Board meetings and Board committee meetings. The queries raised by Directors have received a prompt and full response.

Induction and Continuous Professional Development

The Directors are continually updated with business and market changes, and legal and regulatory developments to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memoranda, Board papers, and updates on corporate governance practices and director's responsibilities under the Listing Rules, applicable laws and other relevant statutory requirements. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the year under review:

Directors	Corporate Governance/ Updates on Laws, Rules and Regulation	Accounting/ Finance/ Management/ Other professional skills	Updates on business and market changes
Executive Directors			
Mr. Lin Qinglin	✓		✓
Mr. Law Kin Fat	✓		✓
Mr. Wu Shiming	✓		✓
Mr. He Zhigang	✓		✓
Mr. Wong Ka Fai Paul	✓		✓
Independent Non-executive Directors			
Mr. Hu Chung Ming	✓	✓	✓
Mr. Chau On Ta Yuen	✓		✓
Mr. Chan Chi Yuen	✓	✓	

Securities Transactions Guidelines

The Board has adopted a code of conduct regarding directors' securities transaction on the same terms/on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all Directors and they have confirmed that throughout the year ended 31 December 2015, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The Directors' interests in shares of the Company as at 31 December 2015 are set out in the "Report of the Directors" of this annual report.

The Board has also established written guidelines on no less exacting terms than the Model Code for the relevant employee, including any employee or a director or employee of a subsidiary or holding company who, because of his office or employment, is likely to be in possession of inside information in relation to the Company or its securities, in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

Management Functions

The Board delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

The Board has adopted a set of consolidated memorandum of duties setting out its delegation policy. The segregation of duties and responsibilities between the Board and the management has been clearly defined and provided as internal guidelines of the Company.

For aspects of management and administration functions delegated to the management, the Board has given clear directions as to the management's power, particularly as to where management should report back and obtain prior Board approval.

The functions reserved to the Board and those delegated to management have been formalised and are reviewed periodically to ensure that they remain appropriate.

The types of decisions which are to be taken by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of Directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- corporate governance duties.

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- approving the assessment and monitoring of the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels other than the member of the Board, senior management and auditors;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

Board Committees

Nomination Committee

The Nomination Committee is governed by its terms of reference, which are closely aligned with the relevant Code Provisions requirements and are available on the websites of the Company and the Stock Exchange.

The Nomination Committee currently comprises one executive Director, namely Mr. Lin Qinglin (as chairman), and two independent non-executive Directors, namely Mr. Hu Chung Ming and Mr. Chan On Ta Yuen.

The main duties of the Nomination Committee include the following:

- review and supervise the structure, size and composition of the Board;
- identify qualified individuals to become members of the Board;
- assess the independence of the independent non-executive Directors;
- make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and any proposed change to the Board to implement the Company's corporate strategy; and
- monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of Directors.

During 2015, 2 Nomination Committee meetings were held. The attendance records of each member of the Nomination Committee at the said committee meetings are set out below:

Members of Nomination Committee	**Attendance/Number of Meeting(s) held during the tenure of membership**
Executive Director	
Mr. Lin Qinglin *(Committee Chairman)*	2/2
Independent Non-executive Directors	
Mr. Hu Chung Ming	2/2
Mr. Chau On Ta Yuen	1/2

During the year, the Nomination Committee reviewed and/or approved the followings:

- the structure, size and composition of the Board;
- the independence of independent non-executive Directors;
- the nomination of Directors; and
- the sufficiency of time commitment of Directors.

The Nomination Committee adopted a "Procedure and Criteria for Nomination of Directors" in 2011, the details of which are set out below:

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).
2. Prepare a description of the role and capabilities required for the particular vacancy.
3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.
4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination as Directors. One or more members of the Board will attend the interview.
5. Conduct verification on information provided by the candidate.
6. Convene a Board meeting to discuss and vote on which candidate to nominate or appoint to the Board.

Criteria for Nomination of Directors

1. Common Criteria for All Directors

   (a) Character and integrity
   (b) The willingness to assume broad fiduciary responsibility
   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs
   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company
   (e) Significant business or public experience relevant and beneficial to the Board and the Company
   (f) Breadth of knowledge about issues affecting the Company
   (g) Ability to objectively analyse complex business problems and exercise sound business judgment
   (h) Ability and willingness to contribute special competencies to Board activities
   (i) Fit with the Company's culture

2. Criteria Applicable to Non-executive Directors and Independent Non-executive Directors

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in Board and committee meetings
   (b) Accomplishments of the candidate in his/her field
   (c) Outstanding professional and personal reputation
   (d) The candidate's ability to meet the independence criteria for directors established in the Listing Rules for the nomination of independent non-executive Director

The Company provides the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may seek independent professional advice wherever necessary and at the Company's expense, in order to perform its responsibilities.

The Company has adopted a board diversity policy ("Board Diversity Policy") in August 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Company considers that the current composition of the Board is characterised by diversity, whether considered in terms of professional background and skills.

Remuneration Committee

Remuneration of Directors

The remuneration committee of the Company (the "Remuneration Committee") was established in December 2010 pursuant to Rule 3.25 of the Listing Rules. The Remuneration Committee consults the Chairman and/or Chief Executive Officer about the remuneration proposals for other executive Directors. It meets when required to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee is governed by its terms of reference, which were revised by the Board on 28 March 2012 pursuant to the Code. The terms of reference are made available on the websites of the Company and the Stock Exchange.

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Hu Chung Ming (as chairman), and Mr. Chan Chi Yuen and one executive Director, namely Mr. Lin Qinglin.

During 2015, 2 Remuneration Committee meetings were held. The attendance records of each member of the Remuneration Committee at the said committee meetings are set out below:

Members of Remuneration Committee	Attendance/Number of Meeting(s) held during the tenure of membership
Executive Director	
Mr. Lin Qinling	2/2
Independent Non-executive Directors	
Mr. Hu Chung Ming *(Committee Chairman)*	2/2
Mr. Chan Chi Yuen *(appointed as member on 24 July 2015)*	1/1
Mr. Chan Fong Kong, Francis *(appointed as member with effect from 1 January 2015 and ceased on 24 July 2015)*	1/1

The work performed by the Remuneration Committee during 2015 included the followings:

- review of the Company's emolument policy and structure for all Directors and senior management of the Group;
- determine the remuneration of new executive Directors; and
- make recommendation to the Board on the remuneration of new non-executive Director and independent non-executive Directors.

The human resource department of the Company provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Audit Committee

The audit committee of the Company (the "Audit Committee") is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Hu Chung Ming, Mr. Chau On Ta Yuen and Mr. Chan Chi Yuen. Mr. Hu Chung Ming is the chairman of the Audit Committee, who has considerable experience in accounting and financial management. The Audit Committee meets at least two times a year to review the Company's interim and annual results.

The Audit Committee is governed by its terms of reference, which were further revised by the Board on 17 December 2015 pursuant to the Code. The terms of reference are made available on the websites of the Company and the Stock Exchange.

During 2015, 2 Audit Committee meetings were held and the attendance of each member at the Audit Committee meetings is as follows:

Members of Audit Committee	Attendance/Number of Meeting(s) held during the tenure of membership
Mr. Hu Chung Ming *(Committee Chairman)*	2/2
Mr. Chau On Ta Yuen	1/2
Mr. Chan Chi Yuen *(appointed as member on 24 July 2015)*	1/1
Mr. Chan Fong Kong, Francis *(appointed as member with effect from 1 January 2015 and ceased on 24 July 2015)*	1/1

The work performed by the Audit Committee during 2015 included consideration of the following matters:

- the completeness and accuracy of the 2014 annual financial statements and 2015 interim financial statements;
- the Company's compliance with statutory and regulatory requirements; developments in accounting standards and the effect on the Company;
- the internal control report for year 2014;
- the connected transactions for year 2014;
- the terms of engagement of the external auditors;
- the nature and scope of work of the external auditors;
- the management letter prepared by the external auditors; and
- recommendations to the Board, for the approval by Shareholders, for the re-appointment of HLB Hodgson Impey Cheng Limited as the external auditors.

The Audit Committee has been advised that it may seek independent professional advice at the expense of the Company wherever necessary. The Audit Committee has been also provided with sufficient resources to perform its duties.

The Audit Committee recommended to the Board that, subject to Shareholders' approval at the forthcoming annual general meeting, HLB Hodgson Impey Cheng Limited be re-appointed as the Company's external auditor for year 2016.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Company had net assets of approximately RMB991.3 million as at 31 December 2015, and the Company recorded a loss attributable to equity holders of the Company of approximately RMB59.1 million for the year ended 31 December 2015.

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibilities for the preparation of the Group's consolidated financial statement for each financial period which gives a true and fair view of financial positions of the Group and of the Group's financial performance and cash flows for that period.

The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the "Independent Auditors' Report" on page 49 of this annual report.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out on pages 51 to 151 on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out on pages 8 to 15 in this annual report.

The management of the Group provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The management of the Group also provides all Directors with monthly updates giving them a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Internal Controls

The Board is responsible for ensuring that an effective internal control system is maintained within the Group. The Directors acknowledge their responsibilities to establish, maintain and review from time to time the effectiveness of the Group's system of internal controls. During the year under review, the Directors, through the Audit Committee, have reviewed the effectiveness of all material aspects of the internal control system of the Group, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Company has adopted a set of internal control policies and procedures to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Certain executive Directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units. Annual budgets of the Group and quarterly financial reports have been provided to the executive committee of the Board.

Each year, the Audit Committee reviews the findings made by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the external internal audit firm. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

The external internal audit firm independently reviewed the effectiveness of the internal controls, including financial, operational and compliance, in the key activities of the Company's business. The external internal audit firm submits a detailed report at least once a year to the Board for its review and monitors the effectiveness of the system of internal control of the Group.

External auditors will also report on the weakness in the Group's internal control and accounting procedure which have come to their attention during the course of audit.

For the year of 2015, no critical internal control issues have been identified.

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company has implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent Shareholders in accordance with Listing Rules. The connected persons will be required to abstain from voting in general meetings. Details of the connected transactions of the Company during the year are set out in the Report of the Directors.

Auditors' Remuneration

For the year under review, the remuneration paid for services provided by the external auditors are as follows:

Audit services	RMB1,604,000
Non-audit services (which included taxation compliance and agreed upon procedures)	RMB96,240

COMPANY SECRETARY

Mr. Yau Yan Ming Raymond ("Mr. Yau") was appointed as company secretary of the Company on 24 July 2015. The biographical details of Mr. Yau are set out under the section headed "Directors and Senior Management Profile".

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Yau has taken not less than 15 hours of relevant professional training during the financial year ended 31 December 2015.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to uphold a high level of corporate transparency. Keeping Shareholders, investors, analysts, bankers and other stakeholders informed of our corporate strategies and business operations has been one of the key objectives of our investor relations team.

The general meetings of the Company provide the best opportunity for communication between the Board and Shareholders. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations.

The Chairman of the Board and chairman of the Remuneration Committee, Nomination Committee and Audit Committee or, in their absence, other members of the respective committees are available to answer questions at Shareholders' meetings.

The external auditor of the Company, HLB Hodgson Impey Cheng Limited, also attended the Company's annual general meeting held on 16 June 2015 to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

Voting by Poll

The Company expresses in each relevant corporate communication that Shareholders shall vote by poll so as to allow Shareholders to have one vote for every share of the Company held. The chairman of the meeting will explain the voting procedure and answer any questions from Shareholders regarding voting by poll in general meetings. The poll voting results of the Company's general meetings will be published on the websites of the Stock Exchange and the Company respectively on the same day after the general meetings.

Shareholders' Rights

Pursuant to Article 58 of the Company's Articles of Association, any one or more Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, Shareholders may hold the extraordinary general meeting, and all reasonable expenses incurred by the Shareholders as a result of the failure of the Board shall be reimbursed to the Shareholders by the Company.

In compliance with the Code, a shareholders communication policy was formulated on 28 March 2012 in order to ensure Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The Board has taken appropriate steps to provide effective communication with Shareholders. The effectiveness of shareholders communication under the shareholders communication policy will be reviewed by the Board from time to time.

Constitutional Document

During the year ended 31 December 2015, there had not been any change in the Company's Memorandum and Articles of Association.

Conclusion

Going forward, the Company will continue to work diligently to maintain the highest level of corporate transparency. The timely disclosure of relevant corporate information includes annual and interim reports, statutory announcements, corporate presentation and press releases are available on the Company's website www.le-you.hk. Enquiries and proposals to be put forward at Shareholders' meetings can also be sent to the Board or senior management of the Group by sending e-mail to enquiry@leyoutechnologies.com, or directly through the questions and answers session at Shareholders' meetings of the Company.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Lin Qinglin ("Mr. Lin")

Mr. Lin, aged 61, was appointed as an executive Director and the Chairman of our Company on 17 December 2010. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company..

Mr. Lin has received many honourable titles, including, inter alia, "Most Influential Entrepreneur in China" awarded by the China Economic Development Research Centre（中國經濟發展研究中心）, China Reform Forum Magazine（中國改革論壇雜誌社）and the Organising Committee of the Summit of China's most Influential Entrepreneurs（中國最具影響力企業家峰會組委會）and "Top 10 Outstanding Management Individuals of China in 2006-2007" （2006-2007年度中國十大傑出管理人物）awarded by the China Institute of Management Science（中國管理科學研究院）, the China Future Research Institution（中國未來研究會）and the Future and Development Magazine Press（未來與發展雜誌社）. He is also a representative of the Fujian Province People's Congress.

Mr. Law Kin Fat ("Mr. Law")

Mr. Law, aged 47, was appointed as an executive Director and the vice Chairman on 28 July 2015. He graduated from the University of Hong Kong with a Bachelor Degree in Social Science (Economics). He also obtained a Master degree in Finance and Investment from the University of Exeter in the UK. Mr. Law had served as a senior executive of Deutsche Bank Asia, Bank of America Merrill Lynch, ABN Amro Group NV, BNP Paribas Asia, JP Morgan Chase Bank, N.A., mainly responsible for equities sales and other related functions in Greater China region, Australia, and New Zealand markets for over 16 years.

Mr. Wu Shiming ("Mr. Wu")

Mr. Wu, aged 40, is an executive Director and deputy chief executive officer of our Company. Mr. Wu joined our Group as deputy chief executive officer in November 2010 and was appointed as an executive Director of our Company on 17 December 2010. He is responsible for overseeing the financial and operational performance of the Group. He is a qualified intermediate accountant and he obtained such qualification after he has passed the national examination jointly organized by the Ministry of Finance and the Ministry of Personnel of the PRC. Mr. Wu has over 15 years of experiences in accounting and financial management. Mr. Wu graduated from a course in foreign economic enterprise financial accounting at Jimei University（集美大學）in 1995.

Mr. Wu was appointed as an independent non-executive director of (i) China Putian Food Holding Limited (Stock Code: 1699) on 7 February 2012; (ii) Yueshou Environmental Holdings Limited (Stock Code: 1191) on 17 July 2014; (iii) Pak Tak International Limited (Stock Code: 2668) on 24 September 2014; and (iv) Theme International Holdings Limited (Stock Code: 990) on 22 May 2015.

Mr. He Zhigang ("Mr. He")

Mr. He, aged 36, was appointed as an executive Director on 9 July 2015. He has served as the chairman of the board of Leyou World (Shenzhen) Science and Technology Co. Ltd., the wholly-owned subsidiary of the Company, since 1 May 2015. Mr. He has engaged in the internet gaming industry for 11 years and served in various science and technology gaming companies, including Tencent Computer Technology Co., Ltd., experiencing the start-up stage and entrepreneurship stage of Tencent. Mr. He took up the roles of a software development engineer, game producer, general manager and general manager of overseas issues and has expertise in corporate management and planning as well as game evaluation and planning. He graduated with a Bachelor of Engineering from the Xinjiang University in July 2003.

Mr. Wong Ka Fai, Paul ("Mr. Wong")

Mr. Wong, aged 34, was appointed as an executive Director on 9 July 2015. He has over five years experience in the manufacturing, export and trading industry. Mr. Wong graduated with a Bachelor's degree in Business Administration majoring in Marketing from the City University of Hong Kong in November 2004. Mr. Wong currently serves as business development manager at Mega Expo Holdings Limited (Stock Code: 1360), a company listed on the Stock Exchange, and in which he was an independent non-executive director from June 2015 to November 2015.

Mr. Hsiao Shih-Jih ("Mr. Hsiao")

Mr. Hsiao, aged 50, was appointed as an executive Director on 7 March 2016. He graduated from National Taiwan University with a Bachelor of Science in 1989. Mr. Hsiao has engaged in the manufacturing, investment and internet gaming industry for over twenty years. He is currently the chairman of Iwplay World Interactive Entertainment Technology Co., Ltd..

NON-EXECUTIVE DIRECTOR

Mr. Eric Todd ("Mr. Todd")

Mr. Todd, aged 53, was appointed as a non-executive Director on 24 July 2015. Mr. Todd possesses extensive professional experience in the auditing, financial management, investment and media industry. Mr. Todd holds a bachelor degree in Business Administration in Accounting and Finance from the School of Management of Boston University in Massachusetts, USA. Mr. Todd has qualified as an U.S. Certified Public Accountant in 1989 and was a member of the American Institute of Certified Public Accountants from 1989-2010. Mr. Todd worked for the international accounting firm KPMG and the Standard Chartered Group between the periods 1985 to 1995. He was the finance director for several manufacturing and media production and distribution companies from 1999 to 2008. Mr. Todd has been working as a business consultant since 2009 specializing in the finance, investment and media sectors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Chung Ming ("Mr. Hu")

Mr. Hu, aged 43, was appointed as an independent non-executive Director on 17 December 2010. Mr. Hu is also the chairman of each of the audit committee and the remuneration committee and a member of the nomination committee of the Company. Mr. Hu has been a certified practicing accountant of the Australian Society of Certified Practising Accountants since 10 March 2000 and a fellow member of the Hong Kong Institute of Certified Public Accountants since January 2010. Mr. Hu worked in Ernst & Young Certified Public Accountants as an accountant from January 1997 to September 1999, and as a senior accountant from October 1999 to March 2000. Mr. Hu has been the chief financial officer of certain other companies, namely Lankom Electronics Limited from 2000 to 2003, China Flexible Packaging Holdings (中國軟包裝控股有限公司) Limited from 2003 to 2007, Yunnan Junfa Real Estate Company Limited (雲南俊發房地產有限責任公司) from 2007 to 2008 and Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (Stock Code: 1938) from 2009 to 2011 respectively. Mr. Hu is currently the chief financial officer and the company secretary of China Packaging Holdings Development Limited (Stock Code: 1439). Mr. Hu graduated from the University of Queensland with a bachelor's degree in commerce in December 1996.

Mr. Chau On Ta Yuen ("Mr. Chau")

Mr. Chau, aged 68, was appointed as an independent non-executive Director on 17 December 2010. Mr. Chau is also a member of each of the audit committee and the nomination committee of the Company. Mr. Chau has been the chairman of the board of directors and an executive director of China Ocean Shipbuilding Industry Group Limited (中海船舶重工集團有限公司) (Stock Code: 0651) since September 2007 and was re-designated as a non-executive Director and appointed as the honorary Chairman on 23 June 2015. Mr. Chau is currently the chairman and an executive director of ELL Environmental Holdings Limited (強泰環保控股有限公司) (Stock Code: 1395) where his directorship commenced in March 2014. Mr. Chau is currently also an independent non-executive director of (i) Good Fellow Resources Limited (金威資源控股有限公司) (Stock Code: 0109) since July 2007; (ii) Come Sure Group (Holdings) Limited (錦勝集團(控股)有限公司) (Stock Code: 0794) since February 2009; and (iii) Redco Properties Group Limited (力高地產集團有限公司) (Stock Code: 1622) since January 2014, all of which are companies listed on the Main Board of the Stock Exchange. Mr. Chau was (i) an executive director of Everbest Energy Holdings Limited (發世紀控股有限公司) (Stock Code: 0578, now known as Rosan Resources Holdings Limited (融信資源控股有限公司)), a company listed on the Main Board of the Stock Exchange, from March 2000 to November 2006; (ii) an independent non-executive director of Everpride Biopharmaceutical Company Limited (中遠威生物製藥有限公司) (Stock Code: 8019, now known as Hao Wen Holdings Limited (皓文控股有限公司)), a company listed on the Growth Enterprise Market of the Stock Exchange, from June 2003 to August 2009; and (iii) an independent non-executive director of Buildmore International Limited (建懋國際有限公司) (Stock Code: 0108, now known as GR Properties Limited (國銳地產有限公司)), a company listed on the Main Board of the Stock Exchange, from December 2008 to September 2010.

Mr. Chau completed a course in Chinese literature at Xiamen University (廈門大學) in August 1968. Mr. Chau is currently a member of the 12th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆全國委員會) and a deputy officer of the Social and Legal Affairs Committee of the Chinese People's Political Consultative Conference (全國政協社會和法制委員會). He is also the vice chairman of the 9th board of directors of the Hong Kong Fujian Association (香港福建社團聯會董事會).

Mr. Chan Chi Yuen ("Mr. Chan")

Mr. Chan, aged 49, was appointed as an independent non-executive Director on 24 July 2015. He is also a member of each of the audit committee and remuneration committee of the Company. He obtained a Bachelor degree with honours in Business Administration and a Master of Science degree with distinction in Corporate Governance and Directorship. He is a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom, and an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan Chi Yuen is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance.

Mr. Chan Chi Yuen is currently an executive director and the chief executive officer of Noble Century Investment Holdings Limited (Stock code: 2322), an executive director of e-Kong Group Limited (Stock code: 524), an executive director and the chairman of Kate China Holdings Limited (Stock code: 8125), an independent non-executive director of Asia Energy Logistics Group Limited (Stock code: 351), REX Global Entertainment Holdings Limited (formerly known as China Gamma Group Limited) (Stock code: 164), Jun Yang Financial Holdings Limited (formerly known as Jun Yang Solar Power Investments Limited) (Stock code: 397), Media Asia Group Holdings Limited (Stock code: 8075), New Times Energy Corporation Limited (Stock code: 166) and U-RIGHT International Holdings Limited (Stock code: 627).

Mr. Chan Chi Yuen was an executive director of Co-Prosperity Holdings Limited (Stock code: 707) from December 2014 to October 2015, an executive director of China Minsheng Drawin Technology Group Limited (formerly known as South East Group Limited) (Stock code: 726) from December 2013 to July 2015, an executive director and the chairman of Kong Sun Holdings Limited (Stock code: 295) from December 2011 to September 2013, and an independent non-executive director of China Sandi Holdings Limited (Stock code: 910) from September 2009 to July 2014. The issued shares of all the aforesaid companies are listed and traded on the Stock Exchange.

Mr. Yang Chia Hung ("Mr. Yang")

Mr. Yang, aged 53, was appointed as an independent non-executive Director on 7 March 2016. He graduated from University of California, Los Angeles with a Master of Business Administration in 1992. Mr. Yang has over 20 years' experience in finance, banking and investment industry. He was an associate of Morgan Stanley Asia from 1992 to 1994, a vice president of Lehman Brothers Asia Limited from 1994 to 1996 and an executive director of Goldman Sachs (Asia) LLC from 1997 to 1999 respectively. He was also a chief financial officer of Cellstar Asia Corporation from 1999 to 2004 and a chief executive officer of Rock Mobile Corporation from 2004 to 2007 respectively.

Mr. Yang has extensive experience in finance industry and corporate finance, and has been a key player in a number of initial public offering cases. Mr. Yang previously served as the chief financial officer of Airmedia Group (NASDAQ: AMCN), E-commerce China Dangdang Inc. (NYSE: DANG) and currently serves as the chief financial officer of Tuniu Corporation (NASDAQ: TOUR). Mr. Yang currently serves as an independent director and chairman of audit committee of Airmedia Group since 2013. Previously, Mr. Yang served as an independent director of IFM Investments Limited (OTCMKTS: CTCLY) from 2010 to 2015.

SENIOR MANAGEMENT

Chief Executive Officer

Mr. Wang Haitong, aged 45, has over 15 years of experience in investment management and investment banking industry. Before joining the Company, Mr. Wang held a number of senior investment roles at PAG, Goldman Sachs, and Mount Kellett Capital. Prior to his investment career, Mr. Wang held senior managerial roles in fixed income division at the Royal Bank of Scotland and UBS. He has extensive experience in investments, corporate finance, and business development. Mr. Wang holds an MBA from the University of Chicago.

EXECUTIVE VICE PRESIDENT

Mr. Kelly Daniel Moran, aged 48, is a versatile executive and twenty-year veteran of the consumer media and entertainment industries. He was Chief Business Officer of Gameforge, one of the world's first and most successful freeto-play publishers. Prior to this, Mr. Kelly was CEO of Bleacher Report, a top sports website which was successfully sold to Turner Broadcasting in 2012. As Senior Vice President for games publisher THQ Inc., Mr. Kelly was responsible for building the company's portfolio of original IPs and expanding the internal studio network. A few of the key franchises published by THQ as a result of Mr. Kelly's leadership included company of Heroes, Warhammer 40k: Dawn of War, Supreme Commander, and Titan Quest. Studios acquired included Relic Entertainment, Juice Games, Kaos Studios, Vigil Games, and Paradigm Entertainment. As an executive with The Walt Disney Company, he held several management positions in the Consumer Products division. While head of business development and licensing for Disney Interactive, Mr. Kelly was responsible for negotiating the ground-breaking relationship with Square-Enix for the hugely successful Kingdom Hearts. He also served as President of Marketing and Distribution for the award winning television production company Cartoon Pizza, a spin-off from The Walt Disney Company. 3 Mr. Kelly holds a Bachelor of Science with a double major in Economics and Engineering Science from Vanderbilt University and an MBA with a double major in Finance and Marketing from Northwestern University's Kellogg Graduate School of Management.

COMPANY SECRETARY

Mr. Yau Yan Ming Raymond, aged 48, was appointed as Company Secretary on 24 July 2015. He has over 19 years of work experience in auditing, accounting, taxation, company secretarial, corporate finance and financial management, in both private and listed companies. Mr. Yau is a member of the Hong Kong Institute of Certified Public Accountants, American Institute of Certified Public Accountants, and the Hong Kong Institute of Directors. Mr. Yau is also a Certified Tax Adviser of the Taxation Institute of Hong Kong. Mr. Yau holds a master degree in science majoring in Japanese business studies and bachelor degree in business administration majoring in accounting in the United States of America.

He is currently an independent non-executive director of Mason Financial Holdings Limited (stock code: 273), Chanceton Financial Group Limited (stock code: 8020), Tack Fiori International Group Limited (stock code: 928), and Enterprise Development Holdings Limited (stock code: 1808), and an executive director and the company secretary of Chinese Energy Holdings Limited (stock code: 8009), and the company secretary of Mega Expo Holdings Limited (stock code: 1360) all of which are listed on the Stock Exchange. He was an independent non-executive director of Birmingham International Holdings Limited (stock code: 2309) and chief executive officer of Capital VC Limited (stock code: 2324).

Report of the Directors

The directors of the Company (the "Directors") are pleased to present this annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2015.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting held on 27 January 2015, the name of the Company has been changed from "Sumpo Food Holdings Limited" to "Leyou Technologies Holdings Limited" and the adoption of the Chinese name "樂遊科技控股有限公司" as the dual foreign name of the Company. The Certificate of Incorporation on Change of Name has been issued by the Registrar of Companies in the Cayman Islands on 28 January 2015 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company confirming the registration of the Company's new English and Chinese names of "Leyou Technologies Holdings Limited" and "樂遊科技控股有限公司" respectively in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) was issued by the Registrar of Companies in Hong Kong on 10 February 2015. The stock short names for trading in the shares on the Stock Exchange has been changed to "LEYOU TECH H" in English and "樂遊科技控股" in Chinese with effect from 9:00 a.m. on 27 February 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are trading and manufacturing of chicken meat products, animal feeds and chicken breeds and development of video game. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND FINAL DIVIDEND

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 151.

The board of Directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

BUSINESS REVIEW

A discussion and analysis of the Group's performance during the Year and the financial key factors performance indicators affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" of this report.

Information about a fair review of, and an indication of likely future development in, the Group's business is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this report.

Principal Risks and Uncertainties

The followings are the major risks and uncertainties currently faced or anticipated by the Group.

OPERATIONAL RISK

Poultry

Outbreak of avian influenza, climate changes and other bird related diseases are certain risks distinctive to the poultry industry. Additionally, product safety and quality is crucial to the business of the Group as product could affect the Group's reputation and sales.

Video Gaming

The Group is delicate to maintain its hardware and update on software to maintain the experience for our player which any sever and software problem and will affect the player's experience hence the game and the Company's reputation.

COMPETITION RISK

Poultry

The Group faces competition from large-scale poultry companies in the PRC as well as competition from foreign suppliers. The Group's ability to compete is, to a significant extent, dependent on its ability to distinguish its products from those of the Group's competitors by providing high quality products at reasonable prices.

Video Gaming

The Group faces competition in the online game industry. New technologies such as Virtual Reality and ever-changing hardware in both PC and Mobile make the competition fiercer then before. The Group has delicated much of the effort in utilizing the existing players' comments for continue development in order to retain they involvement and prolong their play time. We also continue to research and develop new ideas to attract new players.

REGULATORY RISK

Poultry

The Group conducts business in an industry that is subject to stringent PRC environmental laws and regulations. Failures to comply with PRC environmental laws and regulations may lead to claims, liabilities or the suspension of our operations, and thereby adversely affect our business and results of operations.

Video Gaming

The Group faces different regulators when distributing the game into different countries. The Group will do adjustments to both the graphics and language to ensure all regulations are fulfilled.

FINANCIAL RISK

The Group is exposed to a variety of financial risks in the normal course of business, including interest rate risk, foreign exchange risk, credit risk and liquidity risk. For details of the financial risk, please refer to note 42 to the consolidated financial statements. The Board is dedicated to ensuring the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible.

Important Events since the End of the Financial Year

Acquisition of the remaining issued share capital of Digital Extremes Ltd.

On 4 January 2016, the Board announced that Multi Dynamic Games served the call notice to the original shareholders to purchase the remaining 39% issued share capital of Digital Extremes.

The aggregate consideration payable by Multi Dynamic Games for all of the 39% issued share capital shall be US$46.8 million, which is subject to adjustments in accordance with the terms and condition as set out in the sale and purchase agreement dated 14 October 2014, details of which are set out in the circular of the Company dated on 23 December 2014.

For further details, please refer to the Company's announcement dated 4 January 2016.

Acquisition of the entire equity interest in Huizhou Zhibin Technology Ltd. ("Huizhou Zhibin")

On 10 March 2016, an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement and the supplementary agreement in relation to the acquisition of the entire equity interests in Huizhou Zhibin which has entered into an entrusted management agreement to operate and manage Xunhong Technologies Development Company Limited.

For further details, please refer to the Company's announcement dated 10 March 2016.

Environmental Policy and Performance

Environmental policies and performance mainly means increasing attention of PRC government paid to environmental rules and policies and more strict regulatory requirements. As subsidiaries and newly acquired enterprises commenced into operation for a long while and lag behind certain environmental and duty requirements promulgated by PRC government. The Group monitors impact on business development closely raised from movements of environmental policy and external factors. Acting in an environmentally responsible manner and performing social responsibilities, the Group is committed to improving and maintaining the long term sustainability of the communities in which it operates. The Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Green initiatives and measures have been adopted in daily operation of the Group. Such initiatives include recycling of resources, energy saving measures and water saving practices.

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

Relationships with Employees, Customers and Suppliers

The Group's management policies, working environment, career prospects and employees' benefits have contributed to building a good employee relations and employee retention of the Group. The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to employees including medical benefits, social insurance, provident funds, bonuses and a share option scheme. The management regularly reviews its employee's remuneration packages to ensure they are up to prevailing market standard.

The Group has established long term business relationships with its major suppliers and customers. The Group will endeavor to maintain its established relationship with these existing suppliers and customers.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Prospectus and restated/reclassified as appropriate, is set out on page 152 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year, together with the reasons therefore, are set out in Note 36 to the consolidated financial statements.

A share option scheme (the "Share Option Scheme") was conditionally approved by a written resolution of the shareholders of the Company passed on 17 December 2010. The Share Option Scheme shall be valid and effective for a period of ten years commencing from 11 January 2011. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Share Option Scheme is to recognise and motivate the contribution of any participant (the "Participant") which includes any full-time or part-time employee (including any executive and non-executive Director or proposed executive and non-executive Director), advisor, consultant, agent, contractor, client and supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group, and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

An offer for grant of options must be accepted within 20 business days from the offer date. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. The subscription price for the share under the Share Option Scheme will be a price determined by the Board at its absolute discretion at the time of the grant of the relevant option and notified to each grantee but in any case will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange for the 5 trading days immediately preceding the date of the grant; or (iii) the nominal value of a share.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the Shares of the Company in issue at any time. The maximum number of Shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period, is limited to 1% of the Shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the Shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Details of the movement in the share options granted under the Share Option Scheme during the year ended 31 December 2015 are as follows:

Grantees	Date of grant of share options	Exercisable period	Exercise price of share option	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2015
Directors							
Mr. Law Kin Fat	25 July 2015	25 January 2016 to 24 July 2025	HK$1.20	14,400,000	–	–	14,400,000
Mr. He Zhigang	25 July 2015	25 January 2016 to 24 July 2025	HK$1.20	7,200,000	–	–	7,200,000
Chief Executive							
Mr. Wang Haitong	25 July 2015	25 January 2016 to 24 July 2025	HK$1.20	14,400,000	–	–	14,400,000
Employees							
Mr. Kelly Daniel Moran	25 July 2015	25 January 2016 to 24 July 2025	HK$1.20	14,400,000	–	–	14,400,000
Mr. Qiu Zhonghao	25 July 2015	25 January 2016 to 24 July 2025	HK$1.2	7,200,000	–	–	7,200,000
Consultants							
Other	25 July 2015	25 January 2016 to 24 July 2025	HK$1.20	100,800,000	–	–	100,800,000
Total:				158,400,000	–	–	158,400,000

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the sections headed "Share Capital and Share Options" in this Report of the Directors and "Use of Proceeds" in the Management Discussion and Analysis, no other equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2015.

CHARITABLE DONATIONS

During the year, the Group made approximately RMB1,165,000 charitable donations (2014: RMB90,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to its existing shareholders.

RESERVES

As at 31 December 2015, the Company's reserves available for distribution to equity holders comprising share premium account less accumulated losses amounted to approximately RMB697.4 million.

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 54 and Note 38 to the consolidated financial statements respectively.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, sales to the Group's largest and five largest customers accounted for approximately 5.3% and approximately 14.8% of the Group's total sales respectively. For the year ended 31 December 2015, purchases from the largest and five largest suppliers of the Group accounted for approximately 5.7% and approximately 19.3% of the Group's total purchases respectively.

None of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers during the year ended 31 December 2015.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors:
Mr. Lin Qinglin *(Chairman)*
Mr. Law Kin Fat *(Vice Chairman) (appointed on 28 July 2015)*
Mr. He Zhigang *(appointed on 9 July 2015)*
Mr. Wong Ka Fai, Paul *(appointed on 9 July 2015)*
Mr. Wu Shiming
Mr. Hsiao Shih-Jin *(appointed on 7 March 2016)*
Mr. Yeung Chun Wai, Anthony *(resigned on 24 July 2015)*
Ms. Wai Ching Sum *(Finance Director) (resigned on 8 May 2015)*
Mr. Yin Shouhong *(resigned on 9 July 2015)*
Mr. Chen Domingo *(appointed on 8 May 2015 and resigned on 24 July 2015)*

Non-executive Director
Mr. Eric Todd *(appointed on 24 July 2015)*

Independent non-executive Directors:
Mr. Hu Chung Ming
Mr. Chau On Ta Yuen
Mr. Chan Chi Yuen *(appointed on 24 July 2015)*
Mr. Yang Chia Hung *(appointed on 7 March 2016)*
Mr. Wei Ji Min *(resigned with effect from 1 January 2015)*
Mr. Chan Fong Kong, Francis *(appointed with effect from 1 January 2015 and resigned on 24 July 2015)*

In accordance with Article 84(1) of the Company's Articles of Association, Messrs. Lin Qinglin and Chau On Ta Yuen will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 83(3) of the Company's Articles of Association, Messrs. Law Kin Fat, He Zhigang, Wong Ka Fai, Paul, Hsiao Shih-Jin, Eric Todd, Chan Chi Yuen and Yang Chia Hung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive Director an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 33 to 37 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Law Kin Fat entered into a service agreement with the Company for an initial term of three years with effect from 28 July 2015.

Mr. He Zhigang entered into a service agreement with the Company for an initial term of three years with effect from 9 July 2015.

Mr. Wong Ka Fai Paul entered into a service agreement with the Company for an initial term of three years with effect from 9 July 2015.

Mr. Hsiao Shih-Jih entered into a service agreement with the Company for an initial term of three years commencing from 7 March 2016.

Mr. Eric Todd entered into an appointment letter with the Company for an initial term of three years with effect from 24 July 2015.

Mr. Chan Chi Yuen entered into an appointment letter with the Company for an initial term of three years with effect from 24 July 2015.

Save as aforesaid, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Save as the share options granted under the Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as the Directors' service contracts disclosed above and the connected transactions mentioned below, no Director had a material interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party at any time during the year or at the end of the year.

DIRECTORS' EMOLUMENTS

The Directors' emoluments are subject to shareholders' approval at general meetings. The emoluments to be received by the Directors will be determined by the Board based on the adopted remuneration policy reviewed by the Remuneration Committee of the Company, with reference to the Directors' qualification and experience, responsibilities undertaken, contribution to the Group, and the prevailing market level of remuneration of similar position.

Emolument Policy and Long-Term Incentive Plan

To attract and retain talent and calibre, the Company provides a competitive remuneration package to its executive Directors and senior management. This comprises basic monthly salary and long-term incentive plan which includes share option scheme to subscribe for the Shares of the Company. Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

The emoluments payable to the Directors and senior management are set out in Notes 11 and 12 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in shares and underlying shares of the Company

Name of Director/ Chief Executives	Capacity/nature of interests	Number of ordinary shares/ underlying shares held		Approximate percentage of the Company's issued share capital
Mr. Law Kin Fat	Beneficial owner	14,400,000	(Note 1)	0.50%
Mr. He Zhigang	Beneficial owner	7,775,000	(Note 2)	0.27%
Mr. Wong Ka Fai Paul	Beneficial owner	80,000		Negligible
Mr. Wang Haitong	Beneficial owner	14,400,000	(Note 1)	0.50%

Notes:

1. These interest are derived from the share options granted by the Company, details are set out in the section headed "Share Capital and Share Option".

2. Included interest in 7,200,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Capital and Share Option".

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executives had any interests and short positions 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) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests or short positions of the persons (other than the Directors or chief executives of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Capacity/nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital
Quantum China Asset Management Limited	Investment manager	402,620,000	14.04%

Save as disclosed above, as at 31 December 2015, no person (other than the Directors or chief executives of the Company) had any interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the year.

CONNECTED TRANSACTION

Save for those related party transactions as set out in Note 43 to the consolidated financial statements. There was no connected transactions carried out during the year ended 31 December 2015.

The Directors (including the independent executive Directors) believe that the related party transactions set out in the Note 43 to the consolidated financial statements were carried out in the ordinary course of business of the Company and were on normal commercial terms.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Directors are considered to have interests in any business which is likely to compete directly or indirectly with that of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

INTERESTS OF CONTROLLING SHAREHOLDERS IN CONTRACTS

Save as disclosed in this annual report, no contracts of significance had been entered into by the Company or its subsidiaries with the controlling shareholders and their subsidiaries at any time during the year.

CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 16 to 32 in this annual report.

AUDITORS

The financial statements of the Company for the year have been audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the conclusion of the Company's forthcoming annual general meeting. A resolution for the reappointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year will be proposed at the Company's forthcoming annual general meeting.

On behalf of the Board
Lin Qinglin
Chairman

Hong Kong, 29 March 2016

Independent Auditors' Report

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
LEYOU TECHNOLOGIES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Leyou Technologies Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 151, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in the equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895
Hong Kong, 29 March 2016

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6	**1,605,796**	1,226,077
Cost of sales		**(1,361,533)**	(1,115,606)
Gross profit		**244,263**	110,471
Other revenue and gains	7	**36,670**	16,570
Change in fair value less costs to sell of biological assets	24	**4,984**	(2,068)
Net (loss)/gain on financial assets at fair value through profit or loss	10	**(8,222)**	5,557
Impairment loss of available-for-sale financial assets	28	**(17,558)**	–
Fair value of agricultural produce on initial recognition	23	**61,063**	97,330
Reversal of fair value of agricultural produce due to hatch and disposals	23	**(62,529)**	(101,608)
Selling and distribution expenses		**(52,880)**	(32,204)
Administrative expenses		**(159,123)**	(63,084)
Finance costs	8	**(17,307)**	(13,251)
Other operating expenses		**(22,770)**	(27,222)
Equity-settled share-based payment expenses		**(22,982)**	–
Loss before taxation		**(16,391)**	(9,509)
Taxation	9	**(41,529)**	(509)
Loss for the year	10	**(57,920)**	(10,018)
Other comprehensive loss for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Loss on revaluation of available-for-sale financial assets during the year		**(17,558)**	–
Reclassification relating to impairment loss on available-for-sale financial assets		**17,558**	–
Exchange differences on translating foreign operation		**(9,791)**	–
Other comprehensive loss for the year, net of income tax		**(9,791)**	–
Total comprehensive loss for the year		**(67,711)**	(10,018)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(81,626)**	(10,250)
Non-controlling interests		**23,706**	232
		(57,920)	(10,018)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(91,417)**	(10,250)
Non-controlling interests		**23,706**	232
		(67,711)	(10,018)
Loss per share			
Basic and diluted (RMB cents per share)	14	**(3.04)**	(0.51)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	16	**377,476**	346,758
Investment property	17	**887**	923
Biological assets	24	**5,513**	5,432
Prepaid lease payments	18	**48,416**	49,708
Prepayment for prepaid lease payments		**25,331**	18,072
Goodwill	20	**172,453**	–
Intangible assets	21	**485,553**	–
Development expenditure	22	**2,700**	–
Available-for-sale financial assets	28	**63,562**	–
Deferred tax assets	15	**3,361**	3,824
		1,185,252	424,717
Current assets			
Inventories	23	**188,615**	127,312
Biological assets	24	**15,502**	9,396
Trade receivables	25	**114,141**	33,197
Deposits paid, prepayments and other receivables	26	**204,093**	114,079
Prepaid lease payments	18	**1,319**	1,346
Financial assets at fair value through profit or loss	27	**186,263**	59,004
Pledged bank deposits	29	**14,390**	8,064
Cash and bank balances	29	**130,583**	128,332
		854,906	480,730
Current liabilities			
Trade payables	30	**68,809**	38,920
Accruals, deposits received and other payables	31	**101,277**	60,337
Deferred revenue	33	**18,390**	–
Tax payable		**1,907**	–
Obligation under finance lease		**–**	491
Bank borrowings	32	**275,000**	257,820
		465,383	357,568
Net current assets		**389,523**	123,162
Total assets less current liabilities		**1,574,775**	547,879

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Equity			
Share capital	36	**236,606**	167,392
Reserves		**932,917**	325,742
Equity attributable to owners of the Company		**1,169,523**	493,134
Non-controlling interests		**223,778**	14,733
Total equity		**1,393,301**	507,867
Non-current liabilities			
Obligation under finance lease		**–**	1,921
Deferred tax liabilities	15	**144,922**	–
Debenture	34	**3,467**	3,163
Deferred revenue	33	**33,085**	34,928
		181,474	40,012
Total equity and non-current liabilities		**1,574,775**	547,879

Approved by the Board of Directors on 29 March 2016 and signed on its behalf by:

Law Kin Fat
Executive Director

Wong Ka Fai, Paul
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000 (note (a)	Statutory reserve RMB'000 (note (b))	Other reserve RMB'000	Share option reserve RMB'000 (note (c))	Retained earnings/ (accumulated losses) RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2014	141,007	113,622	17,423	5,205	44,626	38,193	–	93,033	453,109	14,501	467,610
(Loss)/profit for the year	–	–	–	–	–	–	–	(10,250)	(10,250)	232	(10,018)
Total comprehensive (loss)/ income for the year	–	–	–	–	–	–	–	(10,250)	(10,250)	232	(10,018)
Issue of shares under placing	26,385	26,385	–	–	–	–	–	–	52,770	–	52,770
Transaction cost on placement of shares	–	(2,495)	–	–	–	–	–	–	(2,495)	–	(2,495)
Transfer to statutory reserve	–	–	–	–	1,614	–	–	(1,614)	–	–	–
As at 31 December 2014 and 1 January 2015	167,392	137,512	17,423	5,205	46,240	38,193	–	81,169	493,134	14,733	507,867
(Loss)/profit for the year	–	–	–	–	–	–	–	(81,626)	(81,626)	23,706	(57,920)
Other comprehensive loss for the year	–	–	–	(9,791)	–	–	–	–	(9,791)	–	(9,791)
Total comprehensive (loss)/ income for the year	–	–	–	(9,791)	–	–	–	(81,626)	(91,417)	23,706	(67,711)
Issue of shares under placing	69,214	697,985	–	–	–	–	–	–	767,199	–	767,199
Transaction cost on issue of shares under placing	–	(19,696)	–	–	–	–	–	–	(19,696)	–	(19,696)
Transfer to statutory reserve	–	–	–	–	2,182	–	–	(2,182)	–	–	–
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	–	22,982	–	22,982	–	22,982
Arising on the acquisition of subsidiaries	–	–	(2,679)	–	–	–	–	–	(2,679)	185,339	182,660
As at 31 December 2015	**236,606**	**815,801**	**14,744**	**(4,586)**	**48,422**	**38,193**	**22,982**	**(2,639)**	**1,169,523**	**223,778**	**1,393,301**

Note:

(a) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the People's Republic of China (the "PRC").

(b) Statutory reserve

Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.

(c) Share option reserve

Share option reserve relates to share options granted under the Company's share option scheme and which are reclassified to share capital and share premium when the share option were exercised, and to retained earnings/accumulated losses when the share options were lapsed or expired.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Operating activities		
Loss before taxation	**(16,391)**	(9,509)
Adjustments for:		
Interest income	**(1,083)**	(156)
Dividend received	**(257)**	(1,525)
Interest expenses	**17,307**	13,251
Impairment loss on available-for-sale financial assets	**17,558**	–
Loss on disposal of property, plant and equipment	**829**	2,113
Depreciation and amortization	**113,080**	30,109
Equity-settled share-based payment expenses	**22,982**	–
Reversal of impairment recognised on other receivables	**(5)**	(150)
Fair values of agricultural produce on initial recognition	**(61,063)**	(97,330)
Reversal of fair values of agricultural produce due to hatch and disposals	**62,529**	101,608
Net loss/(gain) on financial assets at fair value through profit or loss	**8,222**	(5,557)
Change in fair values less costs to sell of biological assets	**(4,984)**	2,068
Operating cash flows before movements in working capital	**158,724**	34,922
(Increase)/decrease in biological assets	**(1,203)**	314
Increase in trade receivables	**(23,264)**	(3,659)
Increase in deposits paid, prepayments and other receivables	**(76,779)**	(68,643)
Increase in financial assets at fair value through profit or loss	**(135,480)**	(20,978)
Increase in inventories	**(61,928)**	(25,901)
(Decrease)/increase in trade payables	**(67,803)**	4,807
Increase/(decrease) in accruals, deposits received and other payables	**17,030**	8,068
Cash used in operations	**(190,703)**	(71,070)
Interest paid	**(17,003)**	(13,251)
Income tax paid	**(38,848)**	(47)
Net cash used in operating activities	**(246,554)**	(84,368)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Investing activities			
Dividends received		**257**	1,525
Interest received		**1,083**	156
Net cash outflow from acquisition of subsidiaries	39	**(358,453)**	–
Proceeds from disposal of property, plant and equipment		**2,608**	399
Purchase of property, plant and equipment		**(64,362)**	(27,554)
Increase in development cost capitalised		**(13,149)**	–
Purchase of prepaid lease payment		**–**	(486)
Prepayment of prepaid lease payment		**(7,260)**	(3,325)
Purchase of available-for-sale financial assets		**(81,120)**	–
Increase in pledged bank deposits		**(6,326)**	(8,064)
Increase in deferred revenue		**9,016**	17,309
Net cash used in investing activities		**(517,706)**	(20,040)
Financing activities			
Repayments of bank borrowings		**(382,933)**	(217,000)
Proceeds from bank borrowings		**400,113**	290,983
Repayment of obligation under finance lease		**(2,411)**	(235)
Issue of shares		**767,199**	52,770
Payment for transaction costs attributable to issue of shares		**(19,696)**	(2,495)
Net cash generated from financing activities		**762,272**	124,023
Net (decrease)/increase in cash and cash equivalents		**(1,988)**	19,615
Cash and cash equivalents at beginning of the year		**128,332**	108,717
Effect of foreign exchange rate changes, net		**4,239**	–
Cash and cash equivalents at end of the year		**130,583**	128,332

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 February 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Suite 1020-22, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong respectively.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

The principal activity of the Company is investment holdings. The activities of its principal subsidiaries are set out in Note 19 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") (which included all HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015. A summary of the new and revised HKFRSs are set out as below:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to HKFRSs and HKAS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in the Group's consolidated financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) during the reporting period. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective in the consolidated financial statements:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
HKFRS 9	Financial Instruments[2]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS9, HKFRS 7 and HKAS 39[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an investor and its Associate or Joint Venture[4]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Apply the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operation[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]
HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]

1 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.
4 No mandatory effective date is determined but is available for early adoption.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that the application of new standard may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when heldfor-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Annual Improvements to HKFRSs 2012-2014 Cycle (continued)

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for biological assets and agricultural produce and certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

In addition, for financial reporting purposes, 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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits respectively*;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-bytransaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generated units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(a) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(b) Contract Work

For contract work, advances received from publishers are recognised as revenue based on the percentage-of-completion basis. Contractual amounts are received by the Group upon successful completion of contractual milestones. Contract execution payments, received in advance of services being rendered at the beginning of each contract, are deferred and recognised in revenue on a straight-line basis over the contract period. Royalties are received from publishers after the launch of the product. There are receivable quarterly based on a calendar year as calculated by the publisher.

(c) Game publishing

Game publishing represent on-line game revenue from current operations. The proceeds from the sale of virtual goods are initially recorded in deferred revenue. Revenue is recognised over the estimated average period that paying players typically play the game. Future paying player usage patterns and behavior may differ from the historical usage patterns and therefore the estimated average playing periods may change in the future.

(d) Sales of merchandise goods

Revenue from sales of merchandise goods is recognised when the risk and rewards of the goods have been transferred to the customer, which is usually at the date when the goods are delivered to the customer, the customer has accepted the products and there is no unfulfilled obligations that could affect the customer's acceptance of the goods.

(e) Rental income

Rental income received under operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of lease. Contingent rentals are recognised income in the accounting period in which they are earned.

(f) Interest income

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Company's or the Group's research and development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Both research and development costs are therefore recognised as expenses in the period in which they are incurred.

Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The consolidated financial statements are presented in Renminbi ("RMB") which is the Group's presentation currency. RMB and Canadian Dollars ("CAD") are the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the reporting period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries.

The employees of the Group’s subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit and loss as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs (continued)

The employees of the Group's subsidiary which operates in Canada are required to pays fixed contributions into a separate entity. This subsidiary has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. This subsidiary has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Share-based payment arrangements

Equity-settled share-based payments to employees and other providing similar services are measured at fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 35.

The fair value determined at the grant date of the equity-settled share-based payments is excepted on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use and depreciates on the same basis as other property assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 – 30 years
Machinery and equipment	3 – 10 years
Motor vehicles	5 – 10 years
Tools	3 – 5 years

Depreciation methods, useful lives and residual values are reassessed at the end of each reporting period.

Investment property

Investment property is a building component held for long-term rental yields and is not occupied by the Group.

The investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful lives of 30 years.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Agricultural produce is included under inventories at its fair value less costs to sell at the point of lay, subsequently included under inventory and stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Biological assets and agricultural produce

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Agricultural produce, which comprises broiler eggs, is initially measured at its fair value less costs to sell at the point of lay. Any resultant gain or loss recognised in consolidated statement of profit or loss and other comprehensive income.

Prepaid lease payments

Prepaid lease payments represent the purchase costs of land use rights and are amortised on a straight-line basis over the period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses.

Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into three of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near term; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other operating expenses' line item.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits paid, prepayments and other receivables, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 71 – 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Financial liabilities (including trade payables, accruals, deposits received and other payables, obligation under finance lease, debenture and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or join control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

Individually material operating segments are not aggregate for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Impairment of property, plant and equipment and investment property

The Group reviews its property, plant and equipment and investment property for indications of impairment at the end of each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(c) Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and doubtful debt expenses in the reporting period in which such estimate has been changed.

(d) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(f) Fair values of biological assets and agricultural produce

The fair value less costs to sell of breeders and Parent Stock Day-Old Chicks are determined using the income approach. The income approach focuses on the income-producing capability of the breeders. It assumes the value of breeders can be measured by the present worth of the net economic benefit to be received over the useful life of breeders. Discounted cash flow method had been used in the valuation. The value depends on the present worth of future economic benefits to be derived from the ownership of breeders. The value is calculated by discounting future cash flows generated from the asset to their present worth at a market-derived rate of return appropriate for the risks and hazards of investing in similar asset.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(f) Fair values of biological assets and agricultural produce (continued)

The fair value less costs to sell of chicken breeds is determined using the market approach. The market approach assumes sales of Parent Stock Day-Old Chicks and chicken breeds in their existing state and making reference to similar sales or offerings or listings of comparable assets on the market.

The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of biological assets and agricultural produce. Details of the assumptions used are disclosed in notes 23 and 24.

(g) Impairment of intangible assets

Determine whether intangible assets are impaired requires estimation of the value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amounts of intangible assets at the end of the reporting period were approximately RMB485,553,000 (2014: Nil) and no impairment loss was recognised during the year ended 31 December 2015 (2014: Nil).

(h) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. The carrying amounts of goodwill at the end of the reporting period were approximately RMB172,453,000 (2014: Nil) and no impairment loss was recognised during the year ended 31 December 2015 (2014: Nil).

5. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies which conform to HKFRSs that are regularly reviewed by the chief operating decision maker in order to allocate resources to the reportable segments and to assess their performance.

For the purpose of resources allocation and performance assessment, the Group's executive directors, chief operating decision makers, review operating results and financial information by divisions, which are organised by business lines. Where any group company is operating in similar business model, selling similar products and subject to a similar target group of customers, they are aggregated into the following reportable segments according to the nature of each company:

Chicken meats:	The chicken meats segment carries on the business of slaughtering, production and sales of chicken meat.
Chicken breeds:	The chicken breeds segment carries on the business of hatching of broiler eggs and breeding of Parent Stock Day-Old Chicks.
Animal feeds:	The animal feeds segment carries on the business of feeds production.
Gaming:	The gaming segment carries on the business of on-line game operation and retail game development.

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2015

	Chicken meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Gaming RMB'000	Elimination RMB'000	Total RMB'000
Segment results						
External segment revenue	764,992	117,196	400,954	322,654	–	1,605,796
Inter-segment revenue	584,240	209,165	93,548	–	(886,953)	–
Segment revenue	1,349,232	326,361	494,502	322,654	(886,953)	1,605,796
Segment results	(16,213)	52,335	41,453	170,206	–	247,781
Unallocated revenue and gains						36,670
Unallocated loss on financial assets at fair value through profit or loss						(8,222)
Unallocated impairment loss of available-for-sale financial assets						(17,558)
Equity-settled share-based payment expenses						(22,982)
Unallocated selling and distribution expenses						(52,880)
Unallocated administrative expenses						(159,123)
Unallocated other operating expenses						(22,770)
Profit from operations						916
Finance costs						(17,307)
Loss before taxation						(16,391)
Other segment items included in the consolidated statement of profit or loss and other comprehensive income						
Interest income						
– allocated	166	149	251	517	–	1,083
– unallocated						–
						1,083

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2015 (continued)

	Chicken meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Gaming RMB'000	Elimination RMB'000	Total RMB'000
Interest expenses						
– allocated	6,299	3,644	6,887	–	–	16,830
– unallocated						477
						17,307
Depreciation of property, plant and equipment						
– allocated	14,931	8,598	3,878	1,645	–	29,052
– unallocated						951
						30,003
Amortisation of prepaid lease payments						
– allocated	1,007	47	265	–	–	1,319
Amortisation of intangible assets						
– allocated	–	–	–	45,909	–	45,909
Depreciation of investment property						
– unallocated	–	–	–	–	–	36
Amortisation of development expenditure						
– allocated	–	–	–	35,813	–	35,813

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the year ended 31 December 2014

	Chicken meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Gaming RMB'000	Elimination RMB'000	Total RMB'000
Segment results						
External segment revenue	754,996	93,281	377,800	–	–	1,226,077
Inter-segment revenue	659,545	88,476	106,496	–	(854,517)	–
Segment revenue	1,414,541	181,757	484,296	–	(854,517)	1,226,077
Segment results	40,526	40,853	22,746	–	–	104,125
Unallocated revenue and gains						16,570
Unallocated gain on financial assets at fair value through profit or loss						5,557
Unallocated selling and distribution expenses						(32,204)
Unallocated administrative expenses						(63,084)
Unallocated other operating expenses						(27,222)
Profit from operations						3,742
Finance costs						(13,251)
Loss before taxation						(9,509)
Other segment items included in the consolidated statement of profit or loss and other comprehensive income						
Interest income						
– allocated	57	15	84	–	–	156
– unallocated						–
						156
Interest expenses						
– allocated	5,689	2,857	4,367	–	–	12,913
– unallocated						338
						13,251
Depreciation of property, plant and equipment						
– allocated	14,845	9,885	3,748	–	–	28,478
– unallocated						249
						28,727
Amortisation of prepaid lease payments						
– allocated	1,006	73	267	–	–	1,346
Depreciation of investment property						
– unallocated	–	–	–	–	–	36

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

As at 31 December 2015

	Chicken meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Gaming RMB'000	Elimination RMB'000	Total RMB'000
Segment assets and liabilities						
Segment assets	**418,859**	**152,598**	**268,391**	**930,493**	**–**	**1,770,341**
Unallocated assets						**269,817**
Total assets						**2,040,158**
Segment liabilities	**145,768**	**65,882**	**228,591**	**198,330**	**–**	**638,571**
Unallocated liabilities						**8,286**
Total liabilities						**646,857**
Capital expenditures*						
– allocated	**3,413**	**33,476**	**9,124**	**558,780**	**–**	**604,793**
– unallocated						**2,634**
						607,427

As at 31 December 2014

	Chicken meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Gaming RMB'000	Elimination RMB'000	Total RMB'000
Segment assets and liabilities						
Segment assets	426,945	133,751	256,049	–	–	816,745
Unallocated assets						88,702
Total assets						905,447
Segment liabilities	153,763	51,808	182,514	–	–	388,085
Unallocated liabilities						9,495
Total liabilities						397,580
Capital expenditures*						
– allocated	2,165	13,600	15,062	–	–	30,827
– unallocated						3,301
						34,128

* Capital expenditures consist of additions to property, plant and equipment and intangible assets.

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

Reportable segment's assets are reconciled to total assets as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Segment assets for reportable segment	**1,770,341**	816,745
Unallocated:		
Property, plant and equipment	**2,252**	8,466
Investment property	**887**	923
Financial assets at fair value through profit or loss	**186,263**	59,004
Available-for-sale financial assets	**63,562**	–
Cash and bank balances	**8,247**	16,690
Other receivables and deposits	**8,606**	3,619
Total assets	**2,040,158**	905,447

Reportable segment's liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Segment liabilities for reportable segment	**638,571**	388,085
Unallocated:		
Obligation under finance lease	**–**	2,412
Debenture	**3,467**	3,163
Other payables	**4,819**	3,920
Total liabilities	**646,857**	397,580

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers during the year. The geographical locations of the customers are determined based on the locations at which the goods and/or services were delivered.

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
The PRC	**1,283,142**	1,226,077
Canada	**322,654**	–
	1,605,796	1,226,077

Other information

Revenue from major products

The Group's revenue from its major products is as follows:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Chicken meat products	**764,992**	754,996
Animal feeds	**400,954**	377,800
Chicken breeds	**117,196**	93,281
Gaming	**322,654**	–
	1,605,796	1,226,077

5. SEGMENT INFORMATION (CONTINUED) (CONTINUED)

Other information (continued)

Information about major customers

No individual customer contributed over 10% of the total revenue of the Group during the year ended 31 December 2015 (2014: one customer amounting to RMB156,112,000). No other single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2014 and 2015.

Revenue from a major customer amounted to 10% or more of the Group's revenue is set out below:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Customer A (Note)	**–**	156,112

Note:

No information provided as it contributed no more than 10% of the Group's revenue for the year ended 31 December 2015.

6. REVENUE

The principal activities of the Group are the trading and manufacturing of chicken meat products, animal feeds, chicken breeds and development of video games. The amount of each significant category of revenue recognised during the year is as follows:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Chicken meat products	**764,992**	754,996
Animal feeds	**400,954**	377,800
Chicken breeds	**117,196**	93,281
Gaming	**322,654**	–
	1,605,796	1,226,077

7. OTHER REVENUE AND GAINS

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest income on:		
Bank deposits	**1,083**	156
Total interest income	**1,083**	156
Sales of side products and related products, net	**7,270**	6,976
Government grants (Note)	**4,040**	6,261
Reversal of impairment loss recognised on other receivables	**5**	150
Dividend income	**257**	1,525
Rental income	**–**	317
Exchange gain	**10,601**	708
Compensation upon the termination from potential acquisition	**12,417**	–
Sundry income	**997**	477
	36,670	16,570

Note:

Government grants include subsidies income received by subsidiaries of the Group which operates in the PRC and Canada in accordance with the subsidy policies of local government authorities and in relation to the construction of qualifying assets and cost of assets capitalised. Subsidies income received by subsidiaries of the Group is recognised in the consolidated statements of profit or loss and other comprehensive income when received and no specific conditions have been required to fulfill.

PRC government grants in relation to the construction of qualifying assets are recognised as deferred revenue (Note 33). The government grants recognised at the year ended 31 December 2014 and 2015 are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

The Group also receives government grant income from the Ministry of Economic Development, Trade and Employment ("MEDTE") in Canada. These government grants are accounted for as income in relation to the cost of assets capitalised in the consolidated statement of financial position.

8. FINANCE COSTS

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest on:		
– Bank borrowings wholly repayable within five years	**17,003**	12,914
– Debenture wholly repayable over five years	**304**	275
– Obligation under finance lease	**–**	62
	17,307	13,251

9. TAXATION

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
PRC enterprise income tax		
– current year	**2,832**	47
Canadian corporate income tax		
– current year	**39,038**	–
Deferred tax (Note 15)		
– current year	**(341)**	462
Income tax expense	**41,529**	509

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss before taxation	**(16,391)**	(9,509)
National tax on loss before income tax calculated at rates applicable to profits in the countries concerned	**5,091**	(397)
Tax exemption for subsidiaries operating in the PRC	**(4,087)**	(5,854)
Tax effect of the expense not deductible for tax purpose	**94**	194
Tax effect of income not taxable for tax purpose	**(4,906)**	(1,012)
Tax effect of unrecognised temporary difference	**(341)**	462
Tax effect of tax loss not recognised	**45,678**	7,116
	41,529	509

9. TAXATION (CONTINUED)

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI during the reporting period.

(b) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax during the reporting period.

(c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Enterprise Income Tax ("EIT") at a tax rate of 25% for the years ended 31 December 2014 and 2015, except for the following:

(i) Pursuant to the Ministry of Finance's Notice on Preferential Enterprise Income Tax on Agricultural Products (《國家稅務總局關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》) ("Order 2008 No. 149"), issued on 20 November 2008, effective on 1 January 2008, Fujian Sumpo Food Holdings Co., Ltd ("Fujian Sumpo") is entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2008 and 7 September 2018.

Fujian Baojiashun Food Development Limited ("Fujian Baojiashun") is also entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products during the period between 1 January 2015 to 31 December 2015.

(ii) Pursuant to the Ministry of Finance's Notice on Preferential EIT (《國家稅務總局關於企業所得稅若干優惠政策的通知》) ("Order 1994 No. 001"), issued on 29 March 1994, effective on 1 January 1994, and the Ministry of Finance's Approval on the Implementation of Preferential Income Tax for Newly Established Enterprises (《國家稅務總局關於新辦企業所得稅優惠執行口徑的批覆》) ("Order 2003 No. 1239") issued on 18 November 2003, Longyan Baotai Agriculture Company Limited ("Longyan Baotai") is entitled to EIT exemption with respect to the income derived from broilers breeding during the reporting period.

Fujian Hetai Poultry Company Limited ("Fujian Hetai") is also entitled to EIT exemption with respect to the income derived from broilers breeding during the period between 1 January 2015 to 31 December 2015.

(iii) Longyan Baotai is also entitled to exemption from the value-added tax during the period between 1 December 2005 and 1 November 2025.

(iv) According to the notice issued by the State Council (the "Notice"), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%. Before the promulgation of the new PRC EIT Law, as Xiamen Sumpo Food Trading Limited ("Xiamen Sumpo Food") is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC tax law and the Notice, it was required to pay corporate income tax at the reduced rate of 24% for the year ended 31 December 2011 and 25% for the year ended 31 December 2012 and onwards.

9. TAXATION (CONTINUED)

Notes: (continued)

(d) Pursuant to the new PRC EIT Law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempt from the above-mentioned withholding tax. Dividends received by the Group from its PRC subsidiaries are subject to the above-mentioned withholding tax.

(e) Pursuant to the income tax rules and regulations of Canada, the companies comprising the Group in Canada are liable to Canada Corporate Income Tax ("CIT") at a tax rate of 26.5% for the year ended 31 December 2015.

No deferred tax liabilities were provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits as at 31 December 2015 would not be distributed in the foreseeable future.

10. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Staff costs including directors' remuneration (Note 11)	**149,413**	15,580
Equity-settled share-based payment expenses	**41,930**	–
Retirement schemes benefits	**6,489**	3,252
Total staff costs	**197,832**	18,832
Depreciation of property, plant and equipment (Note 16)	**30,003**	28,727
Depreciation of investment property (Note 17)	**36**	36
Amortisation of prepaid lease payments (Note 18)	**1,319**	1,346
Amortisation of development expenditure (Note 22)	**35,813**	–
Amortisation of intangible assets (Note 21)	**45,909**	–
Total depreciation and amortisation	**113,080**	30,109
Auditors' remuneration	**1,604**	793
Research and development costs	**43,977**	5,354
Operating lease rental expenses	**6,058**	1,089
Loss on disposal of property, plant and equipment	**829**	2,113

10. LOSS FOR THE YEAR (CONTINUED)

Net (loss)/gain on financial assets at fair value through profit or loss:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Proceeds on sales	**137,768**	1,732
Less: Cost of sales	**(137,274)**	(2,525)
Net realised gain/(loss) on financial assets at fair value through profit or loss	**494**	(793)
Unrealised (loss)/gain on financial assets at fair value through profit or loss	**(8,716)**	6,350
Net (loss)/gain on financial assets at fair value through profit and loss	**(8,222)**	5,557

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c), and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Directors' fees	**276**	96
Other emoluments:		
Salaries, allowances and benefits in kind	**4,837**	3,063
Discretionary bonus	**–**	1,344
Retirement schemes contributions	**108**	88
Equity-settled share-based payment expenses	**5,718**	–
	10,663	4,495
	10,939	4,591

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Details for the emoluments of each director of the Company during the reporting period are as follows:

For the year ended 31 December 2015

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors:						
Mr. Lin Qinglin *(Chairman)*	–	882	–	13	–	895
Mr. Yeung Chun Wai, Anthony *(Vice Chairman)* (note (a))	–	1,014	–	8	–	1,022
Mr. Wu Shiming	–	770	–	14	–	784
Mr. Yin Shouhong (note (b))	–	442	–	47	–	489
Ms. Wai Ching Sum *(Finance Director)* (note (c))	–	–	–	–	–	–
Mr. Law Kin Fat *(Vice Chairman)* (note (d))	–	960	–	7	3,812	4,779
Mr. He Zhigang (note (e))	–	449	–	10	1,906	2,365
Mr. Wong Ka Fai, Paul (note (e))	–	274	–	7	–	281
Mr. Chen Domingo (note (f))	–	46	–	2	–	48
	–	4,837	–	108	5,718	10,663
Non-executive director:						
Mr. Eric Todd (note (g))	42	–	–	–	–	42
Independent non-executive director:						
Mr. Hu Chung Ming	68	–	–	–	–	68
Mr. Chau On Ta Yuen	68	–	–	–	–	68
Mr. Chan Fong Kong, Francis (note (h))	56	–	–	–	–	56
Mr. Chan Chi Yuen (note (i))	42	–	–	–	–	42
	234	–	–	–	–	234
	276	4,837	–	108	5,718	10,939

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 December 2014

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
Executive directors:						
Mr. Lin Qinglin *(Chairman)*	–	951	–	13	–	964
Mr. Wu Shiming	–	761	–	13	–	774
Ms. Wai Ching Sum *(Finance director)* (note (c))	–	154	–	4	–	158
Mr. Yeung Chun Wai, Anthony *(Vice Chairman)* (note (a))	–	697	1,344	8	–	2,049
Mr. Yin Shouhong (note (b))	–	500	–	50	–	550
	–	3,063	1,344	88	–	4,495
Independent non-executive director:						
Mr. Chau On Ta Yuen	48	–	–	–	–	48
Mr. Hu Chung Ming	48	–	–	–	–	48
Mr. Wei Ji Min (note (j))	–	–	–	–	–	–
	96	–	–	–	–	96
	96	3,063	1,344	88	–	4,591

The chairman's emoluments shown was mainly for his services in connection with the management of the affairs of the Company and the Group.

The executive directors' emoluments shown were mainly for their service in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown was mainly for his services as director of the Company.

The independent non-executive directors' emoluments shown was mainly for their service as directors of the Company.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Notes:

(a) Mr. Yeung Chun Wai, Anthony has been appointed as executive director and vice chairman of the board dated on 11 June 2014 and has been resigned as executive director and vice chairman of the board dated on 24 July 2015.

(b) Mr. Yin Shouhong resigned as executive director of the Company dated on 9 July 2015.

(c) Ms. Wai Ching Sum has been appointed as executive director and finance director of the Company dated on 17 October 2014 and resigned as executive director and finance director of the Company dated on 8 May 2015.

(d) Mr. Law Kin Fat has been appointed as executive director and vice chairman of the board dated on 28 July 2015.

(e) Mr. He Zhigang and Mr. Wong Ka Fai, Paul have been appointed as executive director of the Company dated on 9 July 2015.

(f) Mr. Chen Domingo has been appointed as executive director of the Company dated on 8 May 2015 and resigned as executive director of the Company dated on 24 July 2015.

(g) Mr. Eric Todd has been appointed as non-executive director of the Company dated on 24 July 2015.

(h) Mr. Chan Fong Kong, Francis has been appointed as independent non-executive director of the Company dated on 1 January 2015 and resigned as independent non-executive director of the Company dated on 24 July 2015.

(i) Mr. Chan Chi Yuen has been appointed as independent non-executive director of the Company dated on 24 July 2015.

(j) Mr. Wei Ji Min resigned as an independent non-executive director of the Company dated on 1 January 2015.

The remuneration shown above represents remuneration received and receivable from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the years ended 31 December 2014 and 2015 respectively. None of the directors agreed to waive or waived any emoluments during the year (2014: Nil).

12. EMPLOYEES EMOLUMENTS

The five individuals whose emoluments were the highest in the group for the year included two directors (2014: three) with their emolument stated in Note 11 with the remaining three (2014: two) highest paid individuals whose emoluments are reflected in the analysis below:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,080**	5,271
Equity-settled share-based payment expenses	**9,529**	–
Retirement schemes contributions	**16**	110
	11,625	5,381

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	For the year ended 31 December	
	2015	2014
Nil to RMB837,000 (equivalents to HK$1,000,000)	**–**	2
RMB1,674,000 to RMB2,093,000 (equivalents to HK$2,000,000 to HK$2,500,000)	**1**	–
RMB3,771,000 to RMB4,186,000 (equivalents to HK$4,500,000 to HK$5,000,000)	**2**	–
	3	2

During the reporting period, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the chief executive and directors waived or agreed to waive any emoluments during the reporting period (2014: Nil).

The number of senior management (excluding directors) whose emoluments fell within the following band is as follows:

	For the year ended 31 December	
	2015	2014
Nil to RMB837,000 (equivalents to HK$1,000,000)	**–**	3
RMB1,674,000 to RMB2,093,000 (equivalents to HK$2,000,000 to HK$2,500,000)	**1**	–
RMB3,771,000 to RMB4,186,000 (equivalents to HK$4,500,000 to HK$5,000,000)	**2**	–
	3	3

13. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

14. LOSS PER SHARE

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	**(81,626)**	(10,250)

	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**2,683,142**	1,992,000

The calculation of basic earnings per share for the year is based on the loss attributable to the owners of the Company for the year ended 31 December 2015 of approximately RMB81,626,000 (2014: RMB10,250,000) and the weighted average of number of 2,683,142,000 (2014: 1,992,000,000) ordinary shares in issue during the reporting period.

Basic and diluted earnings per share for the year ended 31 December 2015 were the same as the share options would decrease the loss per share, therefore, anti-dilutive.

15. DEFERRED TAXATION

The followings are the major deterred tax balances recognised and movements thereon during the reporting period:

Deferred tax assets

	Property, plant and equipment RMB'000	Deferred revenue RMB'000	Total RMB'000
At 1 January 2014	–	4,286	4,286
Charge to profit or loss (Note 9)	–	(462)	(462)
As at 31 December 2014 and 1 January 2015	–	3,824	3,824
Fair value adjustment from acquisition of subsidiaries	206	–	206
Charge to profit or loss (Note 9)	(206)	(463)	(669)
At 31 December 2015	**–**	**3,361**	**3,361**

Deferred tax liabilities

	Property, plant and equipment RMB'000	Intangible assets RMB'000	Total RMB'000
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–
Fair value adjustment from acquisition of subsidiaries	–	143,912	143,912
Credited to profit or loss (Note 9)	1,010	–	1,010
At 31 December 2015	**1,010**	**143,912**	**144,922**

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Tools RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2014	267,706	176,871	12,421	6,792	11,666	475,456
Additions	6,657	4,151	3,385	148	19,787	34,128
Disposals	(10,360)	(3,571)	(564)	(784)	–	(15,279)
Transfer	1,150	96	–	–	(1,246)	–
As at 31 December 2014 and 1 January 2015	265,153	177,547	15,242	6,156	30,207	494,305
Acquired through business combination	–	13,017	–	–	–	13,017
Additions	10,905	24,209	548	255	15,428	51,345
Disposals	–	(2,327)	(3,551)	–	–	(5,878)
Transfer	28,296	51	–	–	(28,347)	–
Exchange realignment	–	11,909	188	–	–	12,097
As at 31 December 2015	**304,354**	**224,406**	**12,427**	**6,411**	**17,288**	**564,886**
Accumulated depreciation						
As at 1 January 2014	50,925	70,819	5,019	4,823	–	131,586
Provided for the year	12,280	14,739	1,255	453	–	28,727
Disposals	(8,931)	(2,720)	(393)	(722)	–	(12,766)
As at 31 December 2014 and 1 January 2015	54,274	82,838	5,881	4,554	–	147,547
Provided for the year	10,620	17,228	1,702	453	–	30,003
Disposals	–	(1,879)	(561)	–	–	(2,440)
Exchange realignment	–	12,266	34	–	–	12,300
As at 31 December 2015	**64,894**	**110,453**	**7,056**	**5,007**	**–**	**187,410**
Net book values						
As at 31 December 2015	**239,460**	**113,953**	**5,371**	**1,404**	**17,288**	**377,476**
As at 31 December 2014	210,879	94,709	9,361	1,602	30,207	346,758

Note:

The property, plant and equipment with net book amount of approximately RMB35,950,000 at the end of the reporting period (2014: approximately RMB31,822,000), are pledged as collaterals for the Group's bank borrowings. Please refer to notes 32 and 46 for details.

17. INVESTMENT PROPERTY

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cost		
As at 1 January 2014, 31 December 2014 and 31 December 2015	**1,187**	1,187
Accumulated depreciation		
At the beginning of the year	**264**	228
Charge for the year	**36**	36
At the end of the year	**300**	264
Net book values	**887**	923

The investment property is located in Mainland China, on land with land use right of 30 years.

The fair values of the investment property was approximately RMB3,600,000 at the end of the reporting period (2014: approximately RMB3,500,000). The fair values of the investment property of the Group at the end of the reporting periods has been arrived at on the basis of a valuation carried out at that date by an independent professional valuer and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

18. PREPAID LEASE PAYMENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cost		
At the beginning of the year	**58,429**	57,943
Additions	**–**	486
At the end of the year	**58,429**	58,429
Accumulated amortisation		
At the beginning of the year	**7,375**	6,029
Charge for the year	**1,319**	1,346
At the end of the year	**8,694**	7,375
Net book values	**49,735**	51,054
Analysed for reporting purposes as:		
Non-current assets	**48,416**	49,708
Current assets	**1,319**	1,346
	49,735	51,054

Prepaid lease payments represent the cost of land use rights in respect of certain leasehold land located in the PRC, which is held under long term leases.

The prepaid lease payments with net book amount of approximately RMB45,445,000 at the end of the reporting period (2014: RMB42,208,000), are pledged as collaterals for the Group's bank borrowings. Please refer to notes 32 and 46 for details.

19. PRINCIPAL SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Paid up capital/ registered capital RMB'000	Percentage of equity interest and voting power attributable to the company Direct %	Indirect %	Principal activities
Sumpo International Holdings Limited	BVI	34	100	–	Investment holding
Fujian Sumpo	PRC	218,000	–	94.84	Manufacturing and trading of animal feeds, trading of poultry, processing and trading of meat and meat product
Longyan Baotai	PRC	60,000	–	94.84	Breeding and sales of poultry commodity broilers, chicken breeds, aquatic products and provision of breeding techniques consultancy services
Xiamen Sumpo Food	PRC	30,000	–	94.84	Sales of packaged food products
Fujian Hetai	PRC	50,000	–	94.84	Breeding and sales of poultry commodity broilers, chicken breeds, aquatic products and provision of breeding techniques consultancy services
Fujian Baojiashun	PRC	180,000	–	94.84	Processing and trading of meat and meat product
Fujian Longzeji Feed Company Limited ("Fujian Longzeji")	PRC	30,000	–	94.84	Manufacturing and trading of animal feeds
Shanghai Xiantong International Trading Limited ("Shanghai Xiantong)")	PRC	6,000	–	94.84	Sales of packaged food products
Dream Beyond Holdings Limited	BVI	–	100	–	Investment holdings

19. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Paid up capital/ registered capital RMB'000	Percentage of equity interest and voting power attributable to the company Direct %	Indirect %	Principal activities
Leyou International Limited (formerly known as Leyou Technologies Holdings Limited)	HK	–	–	100	Investment holdings
Leyou World Limited	HK	–	–	100	Investment holdings
Dreamscape Horizon Limited	BVI	–	–	100	Investment holdings
Leyou Multi-Media Limited	HK	–	–	100	Investment holdings
Multi Dynamic Games Group Inc. ("Multi Dynamic Games")	Canada	–	–	100	Investment holdings
Leyou World (Shenzhen) Science and Technology Company Limited ("Leyou (Shenzhen)")	PRC	79,780	–	100	Investment holdings
Digital Extremes Ltd. ("Digital Extremes")	Canada	1	–	58	Development of video games
Digital Extremes US, Inc. ("Digital Extremes US")	Canada	–	–	58	Marketing support activities

In addition, the directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that are material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries for the year ended 31 December 2014.

19. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiary that has material non-controlling interests:

Name of subsidiary	Place and date of incorporation	Proportion of ownership interests and voting power held by non-controlling interests 2015 %	Profit allocated to non-controlling interests 2015 RMB'000	Accumulated non-controlling interests 2015 RMB'000
Digital Extremes	Canada, 17 September 2013	42	25,409	210,748

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2015 RMB'000
Current assets	227,891
Non-current assets	16,223
Current liabilities	95,418
Non-current liabilities	7,890
Total equity	140,806

	2015 RMB'000
Revenue	322,655
Cost of sales and expenses	(222,194)
Profit for the year	60,498
Other comprehensive income for the year	(22)
Total comprehensive income for the year	60,476
Net cash generated from operating activities	177,770
Net cash used in investing activities	(2,454)
Net cash used in financing activities	(171,930)
Net cash inflow	3,386

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

20. GOODWILL

	As at 31 December 2015 RMB'000	2014 RMB'000
Cost		
Balance at beginning of year	**–**	–
Additional amount recognised from business combination occurring during the year (Note 39)	**176,806**	–
Exchange relignments	**(4,353)**	–
Balance at end of year	**172,453**	–

	As at 31 December 2015 RMB'000	2014 RMB'000
Accumulated impairment loss		
Balance at beginning of year	**–**	–
Impairment loss recognised during the year	**–**	–
Balance at end of year	**–**	–
Carrying amount at the end of year	**172,453**	–

20. GOODWILL (CONTINUED)

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

- **Digital Extreme – Computer and video games CGU business operated by Digital Extremes**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Before recognition of impairment losses, the carrying amount of goodwill was allocated to CGU as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Computer and video games CGU	**172,453**	–

Note:

Computer and video games CGU

The recoverable amount of the CGU is determined by reference to the value in use calculation, which is based on discounted cash flow sourced from the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 17% that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5-year period have been extrapolated using 3% growth rate per annum. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

The key assumptions used in the value in use calculations for the cash-generating units are as follows:

Budgeted market share	Average market share in the period immediately before the budget period, plus a growth of 3% of market share per year. The values assigned to the assumption reflect past experience and are consistent with the directors' plans for focusing operations in these markets. The directors believe that the planned market share growth per year for the next five years is reasonably achievable.
Budgeted gross margin	Average gross margin achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience.

21. INTANGIBLE ASSETS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cost		
At the beginning of the year	**–**	–
Acquisition through business combinations	**543,065**	–
Exchange realignment	**(13,371)**	–
At the end of the year	**529,694**	–
Accumulated amortisation		
At the beginning of the year	**–**	–
Charge for the year	**45,909**	–
Exchange realignment	**(1,768)**	–
At the end of the year	**44,141**	–
Net book values	**485,553**	–

The economic useful life of recognised intangible assets are as follows:

Intangible assets	**Useful economic life**
Game engine	5 years
Completed game	5 years
Game under development	5 years

The cost of intangible assets are as follows:

	2015	2014
	RMB'000	RMB'000
Game engine	**74,683**	–
Completed game	**409,799**	–
Game under development	**58,583**	–
Exchange realignment	**(13,371)**	–
Total	**529,694**	–

22. DEVELOPMENT EXPENDITURE

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At the beginning of the year	**–**	–
Acquisition through business combinations	**26,116**	–
Addition	**13,149**	–
Amortisation and impairment	**(35,813)**	–
Exchange realignment	**(752)**	–
At the end of the year	**2,700**	–

Development expenditures represent prepayments to N-Space Inc., an independent third party, for video game development and publishing services. Digital Extremes entered into a written agreement in December 2014 to provide N-Space Inc. with advance payments for development of a video game on both PC and Console platforms in exchange for exclusive publishing rights to the game.

23. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Frozen meats	**89,656**	87,047
Animal feeds	**2,243**	5,006
Processed foods	**278**	2,811
Agricultural produce	**7,007**	6,966
Raw materials (Note)	**17,533**	24,281
Wine	**43**	195
Computer hardware	**70,527**	–
Consumables	**626**	82
Packaging	**702**	924
	188,615	127,312

Note:

Included in the raw materials were mainly raw materials for the production of animal feeds, such as corn, wheat, soya meal and additives.

23. INVENTORIES (CONTINUED)

The analysis of the amount of inventories recognised as an expense is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Carrying amount of inventories sold	**981,212**	977,747
Fair value of agricultural produce on initial recognition	**(61,063)**	(97,330)
Reversal of fair value of agricultural produce due to hatch and disposals	**62,529**	101,608
	982,678	982,025

The Group is exposed to a number of risks related to biological assets and agricultural produce. In addition to the financial risk disclosed in Note 42, the Group is exposed to the following operation risks:

(a) Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

(b) Climate, disease and other natural risks

The Group's biological assets and agricultural produce are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including but not limited to regular inspections, disease controls, surveys and insurance.

Principal assumptions for valuation of agricultural produce

The following principal assumptions have been adopted by the valuer:

(a) there will be no major change in the existing political, legal and economic conditions in the PRC;

(b) save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;

(c) the interest rates and exchange rates will not differ materially from those presently prevailing;

(d) the breeders are free from any animal diseases, including but not limiting to avian influenza such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;

23. INVENTORIES (CONTINUED)

Principal assumptions for valuation of agricultural produce (continued)

(e) the life cycle, natural mortality rates and infertility rates of that particular breed of breeders as given by the Group are fair and reasonable and egg laying pattern of that particular breed of breeders is not materially different from that as shown in the Arbor Acres Plus (AA+) Parent Stock Performance Objectives as published by Aviagen Group which is the developer of AA+ branded chicken;

(f) the availability of finance will not be a constraint on the breeding of the breeders;

(g) the production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;

(h) the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;

(i) the breeders are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;

(j) the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and

(k) the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the breeders.

The qualification of the valuer

The Group's agricultural produce were independently valued by the valuer. The valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. The professional valuers of the valuer participated in this valuation include professional member of the Royal Institution of Chartered Surveyors (the "MRICS"), professional member of the Hong Kong Institute of Surveyors (the "MHKIS"), professional member of the China Institute of Real Estate Appraisal (the "CIREA"), charterholder of the Chartered Financial Analyst Institute (the "CFA") and member of the Global Association of Risk Professional (the "FRM") and have appraisal experiences in different kinds of assets such as property assets, industrial assets, biological assets, mining rights and assets, technological assets and financial assets in the PRC, Hong Kong, Singapore and Thailand. They have previously participated in the valuation of biological assets and agricultural produce such as hogs, chickens, sophora alopecuroides crops, sunflower seeds and tapioca chips.

Among the professional institutions mentioned above, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors are member organisations of the International Valuation Standards Council (the "IVSC") which encourages their respective members to adopt and use the International Valuation Standards (including relevant standards on Biological Asset Valuation) laid down by the IVSC.

23. INVENTORIES (CONTINUED)

The qualification of the valuer (continued)

Based on the above qualification and various experiences of the valuer and/or its members in providing biological asset valuation services to various companies listed on the Stock Exchange and other stock exchanges in the United States, which engage in the business of husbandry and agriculture industry, the directors are of the view that the Valuer is competent to determine the fair value of the Group's biological assets.

Physical count of agricultural produce

The Group currently has two hatching facilities. After the mature breeders grown from parent stock day-old chicks lay the broiler eggs, the Group collect and deliver the same to the hatching facilities. The Group select those broiler eggs that can satisfy the quality requirements. Broiler eggs are incubated in machines and the Group carefully monitor and maintain the optimum temperature and humidity throughout the entire hatching process. It generally takes approximately 21 days for broiler eggs to be hatched. Hatched chicken breeds are inspected, selected, vaccinated and then delivered to either the Group's broiler breeding farms or the contract farmers.

The following steps have been taken for undertaking the physical counting by the valuer:

- to obtain the housekeeper records in relation to the number of broiler eggs in the hatching facilities as at the relevant reporting date and the counting date;
- to obtain the housekeeper records in relation to the daily movement on the number of broiler eggs in the hatching facilities between the relevant reporting date and the counting date;
- to count the number of broiler eggs in the hatching facilities; and
- to work out the number of broiler eggs as at the relevant reporting date by rolling back the counted number from the counting date to the relevant reporting date using the warehouse records as mentioned above.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of agricultural produce:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

23. INVENTORIES (CONTINUED)

Fair value hierarchy (continued)

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Agricultural produce				
Broiler eggs	**–**	**7,007**	**–**	**7,007**

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Agricultural produce				
Broiler eggs	–	6,966	–	6,966

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Broiler eggs	Level 2	The fair value of broiler eggs is determined by using the market approach with reference to market-determined prices.	• Average market prices broiler eggs: RMB1.35 per egg (2014: RMB2.00 per egg)

Selling price of broiler eggs sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in selling price of broiler eggs, with all other variables held constant, of the Group's profit before taxation (through the impact on changes in selling price of broiler eggs).

	Increase/(decrease) in profit before taxation For the year ended 31 December	
	2015 RMB'000	2014 RMB'000
Increase of selling price of 5%	**151**	245
Decrease of selling price of 5%	**(151)**	(245)

24. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	Parent Stock Day-Old Chicks and immature breeders RMB'000	Mature breeders RMB'000	Chicken breeds RMB'000	Total RMB'000
As at 1 January 2014	9,778	4,278	3,154	17,210
Increase due to purchases	645	–	–	645
Increase due to raising (Feeding cost and others)	6,332	–	101,266	107,598
Transfer	(11,671)	11,671	–	–
Decrease due to retirement and deaths	–	(10,451)	–	(10,451)
Decrease due to sales	–	–	(98,106)	(98,106)
Change in fair value less costs to sell	(5,084)	(66)	3,082	(2,068)
As at 31 December 2014 and 1 January 2015	–	5,432	9,396	14,828
Increase due to purchases	3,126	–	–	3,126
Increase due to raising (Feeding cost and others)	4,772	–	113,319	118,091
Transfer	(2,418)	2,418	–	–
Decrease due to retirement and deaths	–	(6,976)	–	(6,976)
Decrease due to sales	–	–	(113,038)	(113,038)
Change in fair value less costs to sell	(1,541)	700	5,825	4,984
As at 31 December 2015	**3,939**	**1,574**	**15,502**	**21,015**

24. BIOLOGICAL ASSETS (CONTINUED)

The numbers of biological assets are summarised as follows:

	As at 31 December	
	2015	2014
	'000	'000
Parent Stock Day-Old Chicks and immature breeders	**112**	–
Mature breeders	**35**	130
Chicken breeds	**779**	699
At the end of the year	**926**	829

Analysed for reporting purposes as:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current assets	**5,513**	5,432
Current assets	**15,502**	9,396
At the end of the year	**21,015**	14,828

The Group is exposed to a number of risks related to biological assets. In addition to the financial risk disclosed in Note 42, the Group is exposed to the certain operation risks which are similar to agricultural produce. Please refer to Note 23 for details.

24. BIOLOGICAL ASSETS (CONTINUED)

Principal assumptions for valuation of biological assets

The following principal assumptions have been adopted by the valuer:

(a) there will be no major change in the existing political, legal and economic conditions in the PRC;

(b) save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Group;

(c) the interest rates and exchange rates will not differ materially from those presently prevailing;

(d) the breeders are free from any animal diseases, including but not limiting to avian influenza such that they are all healthy and are capable to generate valuable outputs in line with normal expectations and subject to normal operating expenses;

(e) the life cycle, natural mortality rates and infertility rates of that particular breed of breeders as given by the Group are fair and reasonable and egg laying pattern of that particular breed of breeders is not materially different from that as shown in the Arbor Acres Plus (AA+) Parent Stock Performance Objectives as published by Aviagen Group which is the developer of AA+ branded chicken;

(f) the availability of finance will not be a constraint on the breeding of the breeders;

(g) the production facilities, systems and the technology utilised by the Group in carrying out its breeding operations do not infringe any relevant regulations and law;

(h) the Group has obtained or shall have no impediment to obtain all necessary governmental permits and approvals to carry out its breeding operations in the PRC;

(i) the breeders are not subject to any liabilities, interest-bearing loans and encumbrances that would impair their fair value as at the relevant valuation date;

(j) the Group will secure and retain competent management, key personnel, marketing and technical staff to carry out and support its breeding operations; and

(k) the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the fair value of the breeders.

24. BIOLOGICAL ASSETS (CONTINUED)

The qualification of the valuer

The Group's biological assets were independently valued by the valuer. The valuer and its professional valuers in charge of this valuation have appropriate qualifications and relevant experiences in various appraisal assignments involving biological assets and agricultural produce. Please refer to Note 23 for details.

Physical count of biological assets

The Group currently has three breeder farms and five broiler breeding farms on which various sheds are erected. Parent Stock Day Old Chicks and chicken breeds are moved into a shed at the same time such that all chickens within a shed would be in the same stage of life cycle. For administration purposes, the housekeeper of the shed would keep proper records on the number of chickens moved into the shed and also the number of chicken remaining alive inside the shed every day throughout the breeding period. After the breeding period, the shed would be vacated by moving out all the chickens for sale or for slaughtering. Cages of prescribed dimensions that can contain a certain number of mature breeders or broilers are used for carrying the chickens from the sheds to the prescribed destinations.

The following steps have been taken for undertaking the physical counting by the valuer:

- to confirm with the Company the time when the chickens are mature enough for moving out from the sheds for sale or for slaughtering;
- to obtain the housekeeper records in relation to the number of chickens in the sheds by the time when they are moved out from the sheds;
- to obtain the housekeeper records in relation to the daily reduction on the number of chickens within the sheds between the relevant reporting date and the date when they are moved out;
- to count the number of cages containing the chickens at the entrance of the sheds when they are moved out from the sheds; and
- to work out the number of chicken breeds/broilers or breeders as at the relevant reporting date by rolling back the counted number from the counting date to the relevant reporting date using the warehouse records as mentioned above.

24. BIOLOGICAL ASSETS (CONTINUED)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of biological assets:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2015

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Biological assets				
Parent Stock Day-Old Chicks and immature breeders	–	–	3,939	3,939
Mature breeders	–	–	1,574	1,574
Chicken breeds	–	15,502	–	15,502
Total biological assets	–	15,502	5,513	21,015

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Biological assets				
Mature breeders	–	–	5,432	5,432
Chicken breeds	–	9,396	–	9,396
Total biological assets	–	9,396	5,432	14,828

24. BIOLOGICAL ASSETS (CONTINUED)

Fair value hierarchy (continued)

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Biological assets			
Parent stock day-old chicks and immature breeders and mature breeders	Level 3	The fair value less costs to sell of parent stock day-old chicks and immature breeders and mature breeders are determined by using the income approach based on present value of expected net profit discounted at market determined discounted rate.	• The discount rate in the discounted cash flow adopted model is 15.29% (2014: 21.83%), which has been developed by the capital asset pricing model. The selling price of broiler eggs adopted in the discounted cash flow is RMB1.35 per egg (2014: RMB2.00 per egg). The production costs adopted in the discounted cash flow is RMB244 per head 2014: RMB304 per head).
Chicken breeds	Level 2	The fair value of chicken breeds is determined by using the market approach with reference to market determined prices.	• Average market prices of chicken breeds: RMB8.84 per chicken (2014: RMB 9.85 per chicken).

Sensitivity analysis

Discount rate sensitivity analysis for present stock day-old chicks and immature breeders and mature breeders

The following table demonstrates the sensitivity to a reasonably possible change in discount rate, with all other variables held constant, of the Group's loss before taxation (through the impact on changes in discount rate).

	Increase/(decrease) in loss before taxation	
	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Increase of discount rate of 5%	**(24)**	(73)
Decrease of discount rate of 5%	**24**	73

24. BIOLOGICAL ASSETS (CONTINUED)

Sensitivity analysis (continued)

Selling price of broiler eggs sensitivity analysis for parent stock day-old chicks and immature breeders and mature breeders

The following table demonstrates the sensitivity to a reasonably possible change in selling price of broiler eggs, with all other variables held constant, of the Group's loss before taxation (through the impact on changes in selling price of broiler eggs).

	Increase/(decrease) in loss before taxation	
	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Increase of selling price of 5%	**906**	681
Decrease of selling price of 5%	**(906)**	(681)

Production costs sensitivity analysis for parent stock day-old chicks and immature breeders and mature breeders

The following table demonstrates the sensitivity to a reasonably possible change in production costs, with all other variables held constant, of the Group's loss before taxation (through the impact on changes in production costs).

	Increase/(decrease) in loss before taxation	
	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Increase of production costs of 5%	**(755)**	(516)
Decrease of production costs of 5%	**755**	516

24. BIOLOGICAL ASSETS (CONTINUED)

Sensitivity analysis (continued)

Selling price sensitivity analysis for chicken breeds

The following table demonstrates the sensitivity to a reasonably possible change in selling price, with all other variables held constant, of the Group's loss before taxation (through the impact on changes in selling price).

	Increase/(decrease) in loss before taxation	
	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Increase of selling price of 5%	**775**	427
Decrease of selling price of 5%	**(775)**	(427)

25. TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables	**114,549**	33,605
Less: Impairment loss recognised	**(408)**	(408)
	114,141	33,197

The Group normally allows a credit period ranging from 7 to 70 days. The ageing analysis of trade receivables is based on invoice date, net of impairment is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 30 days	**102,724**	29,953
31 days to 70 days	**4,207**	742
71 days to 180 days	**7,210**	2,502
	114,141	33,197

25. TRADE RECEIVABLES (CONTINUED)

Certain trade receivables that are past due are not considered impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Overdue by:		
1 day to 110 days	**7,210**	2,502

At the end of the reporting period, trade receivables of approximately RMB408,000 (2014: RMB408,000) were impaired and had been fully provided for. These receivables mainly relate to wholesales in unexpected difficult economic situations. The ageing of these receivables are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Over 180 days	**408**	408

Movements of impairment loss recognised on trade receivables:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At the beginning of the year	**408**	408
Reversal of impairment loss recognised	**–**	–
Impairment loss recognised	**–**	–
At the end of the year	**408**	408

The creation and release of provision for impairment of trade receivables have been included in administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The trade receivables are denominated in RMB and CAD.

There is no concentration of credit risk with respect to trade receivable as the Group has a large number of customers.

26. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deposits paid, prepayments and other receivables	**207,199**	117,190
Less: Impairment loss recognised	**(3,106)**	(3,111)
	204,093	114,079

Deposits paid, prepayments and other receivables

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Advances to staff	**716**	866
Amounts due from related parties (Note 43(d))	**–**	3,262
Deposits paid and prepayments (Note (a))	**11,105**	4,534
Deposits paid and prepayments for purchase of property, plant and equipment	**5,685**	9,899
Deposits paid and prepayments to suppliers (Note (b))	**131,584**	59,660
Government grant receivables	**500**	1,357
Other receivables	**13,740**	6,508
VAT recoverable (Note (c))	**43,869**	31,104
	207,199	117,190
Less: Impairment loss recognised	**(3,106)**	(3,111)
	204,093	114,079

Notes:

(a) As at 31 December 2015, an amount of approximately RMB2,769,000 (2014: approximately RMB1,824,000) was prepayment for repair and maintenance of breeding facilities.

(b) The amount was mainly related to amounts paid to, against other, raw materials suppliers to secure a stable supply of raw material as requested by such suppliers.

(c) As at 31 December 2014 and 2015, the VAT recoverable was mainly for purchase of raw materials, machinery and equipment during the year.

26. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Movements of impairment loss recognised on deposits paid, prepayments and other receivables are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
At the beginning of the year	**3,111**	3,261
Reversal of impairment loss recognised	**(5)**	(150)
Impairment loss recognised	**–**	–
At the end of the year	**3,106**	3,111

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Held for trading:		
– Listed equity securities in HK (Note (a))	**150,316**	18,939
– Unlised equity securities in the PRC (Note (b))	**35,947**	40,065
	186,263	59,004

Notes:

(a) Fair value is determined with reference to quoted market bid prices.

(b) The Group holds 0.56% of the paid up capital of Xiamen Bank Company Limited ("Xiamen Bank"), a company engaged in the business of banking for small and medium size enterprise of the local economy. The directors of the Group do not believe that the Group is able to exercise significant influence over Xiamen Bank.

The unlisted equity securities are measured at fair value and are classified as Level 3 fair value measurement (see Note 42(c)). The fair value of the unlisted equity securities are estimated by an independent professional valuer. The valuation was arrived at by reference to market comparables which are the closest proxies to Xiamen Bank with similar industry focus, risk and nature.

(c) At the end of the reporting period, the Group had been pledged of 0.56% of the paid up capital of Xiamen Bank to secure the general banking facilities granted to the Group's bank borrowing. Please refer to the Note 32.

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Listed securities:		
– listed equity securities in HK	**81,120**	–
Less: Accumulated impairment loss	**(17,558)**	–
	63,562	–

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Analysis for reporting purposes as:		
Non-current assets	**63,562**	–

The following is a list of available-for-sale financial assets as at 31 December 2015 and 2014:

Name of equity	**Proportion share capital owned as at 31 December 2015** %	**Cost of investment** RMB'000	**Fair value as at 31 December 2015** RMB'000	**Fair value as at 31 December 2014** RMB'000
Equity securities issued by:				
– Yue Xiu Great China				
Fixed Income Fund VI LP (note (a))	33.2	39,250	33,676	–
– KKC Capital SPC				
KKC Capital High Growth Fund				
Segregated Portfolio (note (b))	10.0	41,870	29,886	–

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Note:

(a) Yue Xiu Great China Fixed Income Fund VI LP ("Yue Xiu") is an unlisted fund registered in the Cayman Islands and managed by Yue Xiu Investment Management Limited, which is an indirectly wholly-owned subsidiary of Yue Xiu Securities Holdings Limited, which is in turn an indirect wholly-owned subsidiary of Guangzhou Yuexiu Holdings Limited, a state-owned enterprise in the PRC. The Group does not exercise significant influence over Yue Xiu as they do not have the power to appoint any of its directors and do not participate in its policy-making process.

(b) KKC Capital SPC ("KKC Fund") is an exempted segregated portfolio company that was incorporated with limited liability under the Companies Law of the Cayman Islands.

(c) During the year, the net loss in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to RMB17,558,000 (2014: Nil), of which RMB17,558,000 (2014: Nil) was reclassified from other comprehensive income to profit or loss for the year.

There was a significant decline in the market value of Yue Xiu and KKC Fund during the year. The directors consider that such a decline indicates that the investment in Yue Xiu and KKC Fund has been impaired and an impairment loss of RMB17,558,000 (2014: Nil), which included a reclassification from other comprehensive income of RMB17,558,000 (2014: Nil), has been recognised in profit or loss for the year.

29. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash and bank balances	**130,583**	128,332
Pledged bank deposits (Note 46)	**14,390**	8,064
	144,973	136,396

Cash and bank balance comprise:

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at the prevailing market rates which at 0.35% to 0.75% per annum during the reporting period (2014: 0.35% to 0.50%). The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Included in the cash and bank balances at the end of the reporting period were amounts in RMB of approximately RMB54,668,000 (2014: RMB119,707,000) which are not freely convertible into other currencies.

30. TRADE PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade payables	**68,809**	38,920

30. TRADE PAYABLES (CONTINUED)

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Within 30 days	**60,844**	35,847
31 to 90 days	**6,583**	1,138
91 to 180 days	**640**	1,164
Over 180 days	**742**	771
	68,809	38,920

The average credit period on purchases of certain goods is generally within 15 days to 90 days.

31. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deposits received	**18,616**	18,507
Amount due to a related party (Note 43(e))	**–**	139
Accruals and other payables	**82,661**	41,691
	101,277	60,337

32. BANK BORROWINGS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bank borrowings – secured	**208,000**	223,000
Loan from other bank facilities	**67,000**	34,820
Total bank borrowings	**275,000**	257,820

32. BANK BORROWINGS (CONTINUED)

Carrying amount repayable:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
On demand or within one year	**275,000**	257,820
Over five years	**–**	–
Total bank borrowings	**275,000**	257,820
Less: Amounts due within one year shown under current liabilities	**(275,000)**	(257,820)
	–	–

Bank borrowings at:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
– floating interest rate	**275,000**	257,820

As at 31 December 2014 and 2015, the carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group and the carrying amount are approximately to their fair values.

The contractual floating interest rates per annum in respect of bank borrowings were within the following ranges:

	As at 31 December	
	2015	2014
Bank borrowings	**4.6%-6.7%**	5.0%-6.6%

During the reporting period, the Group's bank borrowings were secured by:

(a) the Group's property, plant and equipment with a carrying amount of approximately RMB35,950,000 (2014: RMB31,822,000).

(b) the Group's prepaid lease payments with a carrying amount of approximately RMB45,445,000 (2014: RMB42,208,000).

(c) The amount of approximately RMB14,390,000 was pledged to secure bank borrowing of the Group as at 31 December 2015 (2014: RMB8,064,000).

(d) The Group was pledged 0.56% of the paid up capital of Xiamen Bank to secure bank borrowings with amount of approximately RMB25,000,000 as at 31 December 2015 (2014: approximately RMB30,000,000).

33. DEFERRED REVENUE

	2015 RMB'000	2014 RMB'000
Arising from government grant (Note (a))	**33,085**	34,928
Arising from sale of virtual currency (Note (b))	**18,390**	–
	51,475	34,928

Analysed for reporting purposes as:

	2015 RMB'000	2014 RMB'000
Non-current liabilities	**33,085**	34,928
Current liabilities	**18,390**	–
	51,475	34,928

Notes:

(a) At the end of the reporting period, the Group has unused government grants in relation to the construction of qualifying assets of approximately RMB13,826,000 (2014: approximately RMB15,723,000) of which will be recognized upon construction of qualifying assets; and the government compensation in relation to dismantle of qualifying assets of approximately RMB19,205,000. The aforementioned government grants and government compensation are not repayable.

(b) As at 31 December 2015, deferred revenue comprised receipt from sale of virtual currency through their online game that is being recognized through profit and loss over the average estimated paying player life.

34. DEBENTURE

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Unsecured debenture at 5%	**3,467**	3,163

As at 31 December 2015, the Group and the Company had issued debenture amount of RMB3,943,000 (equivalent to HKD5,000,000) to an independent third party.

The debenture bears an interest of 5% per annum, unsecured and repayable on 19 January 2021.

35. SHARE OPTION SCHEME

The Share Option Scheme adopted by the Company on 17 December 2010.

The purpose of the Share Option Scheme is to recognize and motivate the contribution of the Participants and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

The participants of the Share Option Scheme to whom options may be granted by the Board shall include and employee, consultant, advisor, agent, contractor, client or supplier who in the sole discretion of the Board has contributed or is expected to contribute to the Group.

During the period commencing one month immediately preceding the earlier of (a) the date of the board meeting for approval of the Company's interim or annual results or (b) the failure of the Company to publish its interim or the annual results announcement under the Listing Rules and ending on the date of the results announcement, no option should be granted.

The subscription price per Share shall be rounded upwards to the nearest whole cent. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion at the time of the grant of the relevant option and notified to each grantee but in any case will not be less than the higher of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; or (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant.

The total number of the Shares which may be issued upon exercise of all options which may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of Shares in issue.

35. SHARE OPTION SCHEME (CONTINUED)

The maximum number of Shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carrying neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence during the current years:

				Number of share options				
Category of grantee	**Exercise price per share option** HK$	**Date of grant**	**Exercisable period**	**As at 1 January 2015** ('000)	**Granted during the year** ('000)	**Exercised during the year** ('000)	**Lapsed during the year** ('000)	**As at 31 December 2015** ('000)
Executive director	1.20	25 July 2015	25 January 2016 to 25 July 2025	–	21,600	–	–	21,600
Employees	1.20	25 July 2015	25 January 2016 to 25 July 2025	–	36,000	–	–	36,000
Consultants	1.20	25 July 2015	25 January 2016 to 25 July 2025	–	100,800	–	–	100,800
				–	158,400	–	–	158,400

Notes:

(a) The share options were vested upon granted.

(b) The exercise price of the share options was subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.

During the year ended 31 December 2015, the Company granted 158,400,000 share options (2014: nil) under the Share Option Scheme on 25 July 2015. The fair value of the options determined at the date of grant using the binomial option pricing model was approximately RMB64,897,000.

35. SHARE OPTION SCHEME (CONTINUED)

Fair value of share options granted in the year

The weighted average of fair value of the share options granted during the financial year is HKD0.51. Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Input into the model	**Start from 25 January 2016**	**Start from 25 July 2015**
Grant date share price (HK$)	1.07	1.07
Exercise price (HK$)	1.20	1.20
Expected volatility	63.79%	63.79%
Option life	10 years	10 years
Dividend yield	0.00%	0.00%
Risk-free interest rate	2.16%	2.16%

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2015		2014	
	Number of options '000	**Weighted average exercise price HK$**	Number of options '000	Weighted average exercise price HK$
Balance at beginning of year	**–**	**–**	–	–
Granted during the year	**158,400**	**1.20**	–	–
Balance at end of year	**158,400**	**1.20**	–	–

All outstanding options are exercisable at the end of the respective reporting period.

Share options exercised during the year

None of the share options exercised during the year.

Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of HK$1.20, and a weighted average remaining contractual life of 9.57 years.

36. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		HK$'000	RMB'000
Authorised:			
As at 1 January, 31 December 2014 and 2015 ordinary shares of HK$0.1 each	4,000,000,000	400,000	320,000
Issued and fully paid:			
As at 1 January 2014 ordinary shares of HK$0.1 each	1,660,000,000	165,999	141,007
Issue of shares by placing (Note (a))	332,000,000	33,200	26,385
Balance as at 31 December 2014 and 1 January 2015	1,992,000,000	199,199	167,392
Issue of shares by placing (Note (b) and (c))	876,480,000	87,648	69,214
Balance as at 31 December 2015	**2,868,480,000**	**286,847**	**236,606**

Notes:

(a) On 29 April 2014, the Company placed and issued 332,000,000 new ordinary shares under placing and at the placing price of HK$0.2 per share. The net proceeds of approximately HK$66.4 million was utilized by the Group as its general working capital.

(b) On 2 February 2015, the Company placed and issued 398,400,000 new ordinary shares under placing and at the placing price of HK$1 per share. The net proceeds of approximately HK$388.4 million was utilized by the Group as its general working capital.

(c) On 24 April 2015, the Company placed and issued 478,080,000 new ordinary shares under placing and at the placing price of HK$1.2 per share. The net proceeds of approximately HK$559.2 million was utilized by the Group as its general working capital.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current assets		
Property, plant and equipment	**2,252**	774
Available-for-sale financial assets	**63,562**	–
Investment in subsidiaries	**–**	–
	65,814	774
Current assets		
Deposits paid, prepayments and other receivables	**2,603**	255
Amount due from subsidiaries	**776,662**	215,411
Financial assets at fair value through profit or loss	**150,316**	18,939
Cash and bank balances	**4,119**	16,475
	933,700	251,080
Current liabilities		
Accruals, deposits received and other payables	**4,785**	3,160
	4,785	3,160
Net current assets	**928,915**	247,920
Total assets less current liabilities	**994,729**	248,694
Equity		
Share capital	**236,606**	167,392
Reserves	**754,656**	78,139
Total equity	**991,262**	245,531
Non-current liability		
Debenture	**3,467**	3,163
	3,467	3,163
Total equity and non-current liability	**994,729**	248,694

Approved by the Board of Directors on 29 March 2016 and signed on its behalf by:

Law Kin Fat
Executive Director

Wong Ka Fai, Paul
Executive Director

38. RESERVES OF THE COMPANY

	Share premium RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2014	113,622	–	–	(37,290)	76,332
Loss for the year	–	–	–	(22,083)	(22,083)
Total comprehensive loss for the year	–	–	–	(22,083)	(22,083)
Issue of shares under placing	26,385	–	–	–	26,385
Transaction cost on placement of shares	(2,495)	–	–	–	(2,495)
As at 31 December 2014 and 1 January 2015	137,512	–	–	(59,373)	78,139
Loss for the year	–	–	–	(59,066)	(59,066)
Other comprehensive loss for the year	–	34,312	–	–	34,312
Total comprehensive loss for the year	–	34,312	–	(59,066)	(24,754)
Issue of shares under placing	697,985	–	–	–	697,985
Transaction cost on placement of shares	(19,696)	–	–	–	(19,696)
Recognition of equity-settled share-based payment expenses	–	–	22,982	–	22,982
As at 31 December 2015	**815,801**	**34,312**	**22,982**	**(118,439)**	**754,656**

39. ACQUISITION OF SUBSIDIARIES

Digital Extremes

On 14 October 2014, Multi Dynamic Games has entered into an agreement to acquire 58% equity interest in Digital Extremes at a total consideration of approximately RMB432,748,000 (approximately US$69,600,000). The acquisition has been completed on 21 July 2015. The aggregate consideration of approximately RMB432,748,000 has been settled by cash.

No acquisition-related costs have been included from the cost of acquisition and recognised as expense in the year and included in the administrative expenses.

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Digital Extremes (continued)

The net assets acquired in the transaction and the goodwill arising therefrom, are as follow:

	Fair value recognised on acquisition RMB'000
Net assets acquired:	
Property, plant and equipment	13,017
Intangible assets	543,065
Development expenditure	26,116
Deferred tax assets	206
Inventories	840
Trade and other receivables	57,679
Amount due from shareholders	11
Tax recoverable	72,079
Cash and cash equivalents	74,295
Trade and other payables	(105,220)
Accruals and other payables	(23,909)
Tax payable	(72,986)
Deferred tax liabilities	(143,912)
	441,281
Non-controlling interests	(185,339)
Goodwill arising on acquisition (Note 20)	176,806
Total consideration	432,748
Satisfied by:	
Cash	432,748
Net cash outflow arising on acquisition:	
Consideration paid in cash	(432,748)
Less: Cash and cash equivalents acquired	74,295
	(358,453)

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Digital Extremes (continued)

Acquisition–related costs of approximately RMB7,683,000 have been charged to administrative expenses in the consolidated income statement during the year ended 31 December 2015.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

Had the acquisition of Digital Extremes been effected at 21 July 2015, the Group's revenue for the year ended 31 December 2015 would have been RMB1,605,796,000 and the consolidated loss for the year would have been RMB57,920,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 21 July 2015, nor is it intended to be a projection of future results.

In determining the pro forma revenue and profit of the Group assuming that Digital Extremes had been acquire at the end of the year 2015, the directors have calculated depreciation of property, plant and equipment and amortisation of intangible assets on the basis of the fair values arising in the initial accounting for the business rather than the carrying amounts recognised in the pre-acquisition financial statements.

40. RETIREMENT BENEFIT PLANS

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the"MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 (2014: HK$:1,500) and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (2014: HK$1,500) (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The employees of Group's subsidiaries which operate in in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The subsidiaries and an associate were required to contribute a certain percentage of the payroll of their staff to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions.

The employees of the Group's subsidiaries which operate in Canada are required to pays fixed contributions into a separate entity. This subsidiary has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. This subsidiary has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

There were no forfeited contributions utilised to offset employers' contributions for the year. And at the end of the reporting period, there was no forfeited contribution available to reduce the contributions payable in the future years.

The total costs charged to profit or loss of approximately RMB6,489,000 (2014: RMB3,252,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the reporting period.

The capital structure of the Group consists of bank borrowings, debenture, obligation under finance lease and equity attributable to owners of the Company (comprising issued share capital, share premium, reserves and retained earnings).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated by dividing the total borrowings with total assets. The Group's overall strategy remains unchanged during the reporting period. The gearing ratio at the end of each reporting periods were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total borrowings	**278,467**	263,395
Total assets	**2,040,158**	905,447
Gearing ratio (%)	**14%**	29%

42. FINANCIAL INSTRUMENTS AND FAIR VALUES

(a) Categories of financial instruments

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Financial assets		
Financial assets at fair value through profit of loss:		
– Held for trading	**186,263**	59,004
Available-for-sale financial assets	**63,562**	–
Loans and receivables (including cash and bank balances):		
– Trade receivables	**114,141**	33,197
– Deposits paid, prepayments and other receivables	**14,456**	10,636
– Pledged bank deposits	**14,390**	8,064
– Cash and bank balances	**130,583**	128,332

42. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

(a) Categories of financial instruments (continued)

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Financial liabilities		
Amortised cost:		
– Trade payables	**68,809**	38,920
– Accruals, deposits received and other payables	**82,661**	41,830
– Bank borrowings	**275,000**	257,820
– Obligation under finance lease	**–**	2,412
– Debenture	**3,467**	3,163

(b) Financial risk management objectives and policies

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest risk), credit risk, business risk and liquidity risk.

The Group's major financial instruments include trade receivables, deposits paid, prepayments and other receivables, trade payables, accruals, deposits received and other payables, available-for-sale financial assets, financial assets at fair value through profit or loss, pledged bank deposit, cash and bank balances, debenture, obligation under finance lease and bank borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The Group diversified business base ensures that there are no significant concentrations of credit risk for a particular customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

42. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Interest rate risk

(i) Exposure to interest rate risk

The Group's exposure to the risk of changes in market interest rate relates primarily to its bank deposits and interest-bearing bank loans. Interest-bearing bank loans at floating rates expose the Group to interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(ii) Sensitive analysis

At 31 December 2015, if interest rates at the date had been 100 basis points higher/lower with all other variables held constant, the Group's loss for the year would increase/decrease by RMB173,000 (2014: RMB133,000). This is mainly attributable to the Group's exposure as result of increase/decrease interest expense on short term bank loans net off with interest income from bank deposits.

Business risk

The Group is exposed to financial risks arising from changes in prices of livestock and livestock's agricultural produce and the change in cost and supply of feed ingredients, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on a regular basis and has procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by epidemic diseases.

The Group manages its exposure to fluctuation in the price of the key raw materials used in the operations by maintaining a large number of suppliers so as to limit high concentration in a particular supplier.

42. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

The Group is exposed to minimal liquid risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and mitigate the effect of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail Group's contractual maturity for its financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2015							
Non-derivative financial liabilities							
Trade payables	–	68,809	–	–	–	68,809	68,809
Accruals, deposits received and other payable	–	82,661	–	–	–	82,661	82,661
Bank borrowing	5.4	275,000	–	–	–	275,000	275,000
Debenture	9.4	197	197	591	2,768	3,753	3,467
		426,667	197	591	2,768	430,223	429,937

	Weighted average interest rate %	On demand or within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2014							
Non-derivative financial liabilities							
Trade payables	–	38,920	–	–	–	38,920	38,920
Accruals, deposits received and other payable	–	41,830	–	–	–	41,830	41,830
Bank borrowing	5.6	257,820	–	–	–	257,820	257,820
Obligation under finance lease	2.5	595	595	1,488	–	2,678	2,412
Debenture	9.4	197	197	591	2,965	3,950	3,163
		339,362	792	2,079	2,965	345,198	344,145

42. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

(c) Fair value

Fair value hierarchy

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair measurements are observable and the significance of the inputs to the fair value measurements in its entirety.

The table below analyses the fair value of the Group's assets that are measured at fair value on a recurring basis. The different levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2015

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Financial assets at fair value through profit or loss	**150,316**	**–**	**35,947**	**186,263**
Available-for-sale financial assets	**63,562**	**–**	**–**	**63,562**
	213,878	**–**	**35,947**	**249,825**

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss	18,939	–	40,065	59,004

42. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

(c) Fair value (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	2015 **RMB'000**	2014 RMB'000
As at 1 January	**40,065**	32,348
Purchases	**–**	–
Fair value gain in profit or loss	**(4,118)**	7,717
As at 31 December	**35,947**	40,065

The above fair value gain included in the consolidated statement of profit or loss and other comprehensive income for the current year related to investment in financial assets at fair value through profit or loss (Note 27) held at the end of the reporting period.

Type	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Financial assets			
Financial assets at fair value through profit or loss Unlisted equity securities 2015: RMB35,947,000 2014: RMB40,065,000	Level 3	Using the market approach, a price over net book value ("P/B ratio") was used by analysing comparable companies and applying the industry average ratio to value Xiamen Bank.	• For the year ended 31 December 2015, the fair value is based on the net book value of Xiamen Bank as at 31 December 2014, which stands at approximately RMB6,251.7 million, adjusted for net earnings of approximately RMB381.3 million estimated on the basis of historical performance and multiplied by the P/B ratio. (note) For the year ended 31 December 2014, the fair value is based on the net book value of Xiamen Bank as at 31 December 2013, which stands at approximately RMB4,687.5 million, adjusted for net earnings of approximately RMB415.6 million estimated on the basis of historical performance and multiplied by the P/B ratio. (note)
List equity securities • in the HK 2015: RMB213,878,000 2014: RMB18,939,000	Level 1	Quoted Price in active market	• NA

Note:

A slight increase in the P/B ratio used in the valuation would result in a slight increase in the fair value measurement of unlisted equity securities and vice versa.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into transactions with related parties which, in the opinion of directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Significant related party transactions

Particulars of significant party transactions during the reporting period are as follows:

Name of company	Nature of transaction	Relationship	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Fujian Ronghecheng Food Corporation ("Ronghecheng Food Corporation"), formerly known as Fujian Sumhua Enterprise Limited	Rental income	Common director in a related company (Note (a))	**366**	876
Ronghecheng Food Corporation	Sales of side products	Common director in a related company (Note (a))	**1,680**	1,500
Xiamen Sumpo	Rental paid	Common director in a related company (Note (a))	**54**	54
Perfect Online Holding Limited ("Perfect Online")	Roaylties income	Shareholder of a subsidiary (Note (b))	**80**	–

Note:

(a) Mr. Lin Qinglin is the director of Xiamen Sumpo, Ronghecheng Food Corporation and the Company.

(b) Perfect Online own 3% equity interest of Digital Extremes.

(b) Key management personnel remuneration

	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Short term employee benefits	**3,465**	5,271
Retirement schemes contributions	**28**	110
	3,493	5,381

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees

As at the end of the reporting period, certain related parties provided personal guarantee in relation to secure Group's bank borrowing as follows:

Personal guarantee given by:	Name of Banks	Period of terms	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Mr. Lin Qinglin (Note (i))	China Minsheng Bank	24 December 2015 to 24 December 2016 (2014: 20 August 2014 to 20 August 2015)	**20,000**	20,000
Mr. Lin Qinglin (Note (i))	China Minsheng Bank	8 July 2015 to 8 July 2016 (2014: 8 June 2014 to 8 June 2015)	**8,000**	8,000
Mr. Lin Qinglin (Note (i))	China Minsheng Bank	17 Nov 2015 to 17 May 2016 (2014: 20 August 2014 to 20 August 2015)	**27,000**	20,000
Mr. Lin Qinglin (Note (i))	China Minsheng Bank	10 September 2015 to 10 March 2016 (2014: 25 August 2014 to 25 August 2015)	**10,000**	10,000
Mr. Lin Qinglin (Note (i))	China Minsheng Bank	2 September 2015 to 2 March 2016 (2014: 5 March 2014 to 5 May 2015)	**25,000**	15,000

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees (continued)

Personal guarantee given by:	Name of Banks	Period of terms	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Mr. Lin Qinglin and Mr Lin Genghua (Notes (i) and (ii))	China CITIC Bank	28 September 2014 to 28 September 2015	**–**	30,000
Mr. Lin Qinglin and Mr Lin Genghua (Notes (i) and (ii))	Bank of Communications	24 September 2015 to 24 September 2016 (2014: 22 September 2014 to 23 September 2015)	**30,000**	20,000
Mr. Lin Qinglin and Mr Lin Genghua (Notes (i) and (ii))	Bank of Communications	9 July 2015 to 9 January 2016 (2014: 22 September 2014 to 23 September 2015)	**25,000**	10,000
Mr. Lin Qinglin and Mr Lin Genghua (Notes (i) and (ii))	Ping An Bank	11 February 2015 to 11 February 2016	**20,000**	–
Mr. Lin Qinglin and Mr Lin Genghua (Notes (i) and (ii))	Ping An Bank	29 August 2015 to 25 February 2016 (2014: 11 December 2014 to 27 May 2015)	**5,000**	4,820
			170,000	137,820

Notes:

(i) Mr. Lin Qinglin is an executive director of the Company.

(ii) Mr. Lin Genghua is the son of Mr. Lin Qinglin, an executive director of the Company.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Amounts due from related parties

As at the end of the reporting period, the Group had the following balances with related parties:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Included in other receivables (Note 26):		
– Ronghecheng Food Corporation	**–**	258
– Winston Wine PTY Ltd	**–**	3,004
	–	3,262

Other receivables from related parties are unsecured, interest frees and are expected to be recovered within one year. There was no impairment loss made against these amounts as at 31 December 2015 (2014: Nil).

(e) Amount due to related party

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Included in other payables (Note 31):		
– Xiamen Winston Trading Limited	**–**	139

Other payables to related party are unsecured, interest frees and repayable on demand.

44. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of farms and office premises under non-cancellable operating leases from selected farmers at an agreed price based on the area of the farm, which fall due as follows:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Within one year	**7,689**	699
In the second to fifth years, inclusive	**30,657**	2,851
After the fifth years	**25,745**	1,561
	64,091	5,111

Operating lease payments represent rentals payable by the Group for certain of its farm and office premises. Lease in respect of farms are negotiated for a term of fifteen to fifty years with fixed rentals. Lease in respect of office premises are negotiated for a term of one to twelve years with fixed rentals.

45. COMMITMENTS FOR EXPENDITURE

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Commitments for acquisition of property, plant and equipment	**25,482**	50,544

46. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (Note 32):

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bank deposits	**14,390**	8,064
Property, plant and equipment	**35,950**	31,822
Prepaid lease payments	**45,445**	42,208
Unlisted equity securities in the PRC	**25,000**	30,000
	120,785	112,094

47. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following significant event took place subsequent to the reporting period:

(a) Acquisition of the remaining issued share capital of Digital Extremes

On 4 January 2016, the board announced that Multi Dynamic Games served the call notice to the original shareholders to purchase the remaining 39% issued share capital of Digital Extremes.

The aggregate consideration payable by Multi Dynamic Games for all of the 39% issued share capital shall be US$46.8 million, which is subject to adjustments in accordance with the terms and condition as set out in the sale and purchase agreement dated 14 October 2014, details of which are set out in the circular of the Company dated on 23 December 2014.

For further details, please refer to the Company's announcement dated 4 January 2016.

(b) Acquisition of the entire equity interest in Huizhou Zhibin Technology Ltd. ("Huizhou Zhibin")

On 10 March 2016, an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement and the supplementary agreement in relation to the acquisition of the entire equity interests in Huizhou Zhibin which has entered into an entrusted management agreement to operate and manage Xunhong Technologies Development Company Limited.

For further details, please refer to the Company's announcement dated 10 March 2016.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2016.

Five Years Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements in this annual report and the Prospectus, is set out below:

RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations					
Revenue	**1,605,796**	1,226,077	1,041,847	787,481	663,041
Cost of sales	**(1,361,533)**	(1,115,606)	(982,174)	(717,948)	(541,343)
Gross profit	**244,263**	110,471	59,673	69,533	121,698
Other revenue and gains	**36,670**	16,570	25,450	15,594	16,607
Change in fair value less cost to sell of biological assets	**4,984**	(2,068)	3,252	(2,956)	(3,025)
Net gain/(loss) on financial assets at fair value through profit or loss	**(8,222)**	5,557	2,197	2,204	(1,296)
Impairment loss on available-for-sale financial assets	**(17,558)**	–	–	–	–
Fair value of agricultural produce on initial recognition	**61,063**	97,330	100,353	69,827	64,920
Reversal of fair value of agricultural produce due to hatch and disposals	**(62,529)**	(101,608)	(98,415)	(68,403)	(62,260)
Amortisation of share option	**(22,982)**	–	–	–	–
Selling and distribution expenses	**(52,880)**	(32,204)	(19,911)	(13,559)	(13,409)
Administrative expenses	**(159,123)**	(63,084)	(38,418)	(41,038)	(47,061)
Finance costs	**(17,307)**	(13,251)	(10,963)	(6,890)	(5,198)
Other operating expenses	**(22,770)**	(27,222)	(34,036)	(27,191)	(22,713)
(Loss)/profit before taxation	**(16,391)**	(9,509)	(10,818)	(2,879)	48,263
Taxation	**(41,529)**	(509)	672	3,808	(1,159)
(Loss)/profit for the year	**(57,920)**	(10,018)	(11,490)	929	47,104
(Loss)/profit attributable to:					
Owners of the Company	**(81,626)**	(10,250)	(12,762)	80	42,840
Non-controlling interests	**23,706**	232	1,272	849	4,264
	(57,920)	(10,018)	(11,490)	929	47,104

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,040,158**	905,447	758,611	742,108	618,655
Total liabilities	**(646,857)**	(397,580)	(291,001)	(263,008)	(122,972)
Non-controlling interests	**(223,778)**	(14,733)	(14,501)	(13,229)	(16,340)
	1,169,523	493,134	453,109	465,871	479,343