

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## LEYOU TECHNOLOGIES HOLDINGS LIMITED

### 樂遊科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1089)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

### RESULTS HIGHLIGHTS

	For the six months ended 30 June		
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>	Change %
Revenue	<b>1,030,009</b>	621,348	65.8
Gross Profit	<b>296,487</b>	40,699	628.5
Gross Profit Margin (%)	<b>28.8%</b>	6.6%	336.4
Profit for the period attributable to the owners of the Company	<b>796</b>	7,073	(88.7)
Basic earning per share ( <i>RMB cents</i> )	<b>0.03</b>	0.28	

The board (the “**Board**”) of directors (the “**Directors**”) of Leyou Technologies Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2016. These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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

*For the six months ended 30 June 2016*

		Six months ended 30 June	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)
<b>Revenue</b>	4	<b>1,030,009</b>	621,348
Cost of sales		<u>(733,522)</u>	<u>(580,649)</u>
<b>Gross profit</b>		<b>296,487</b>	40,699
Other revenue and gains	5	<b>14,349</b>	9,738
Losses arising from changes in fair value			
less cost to sell of biological assets		<b>(10,639)</b>	(6,505)
Fair value of agricultural produce			
on initial recognition		<b>54,288</b>	44,523
Reversal of fair value of agricultural produce			
due to hatch and disposals		<b>(50,982)</b>	(45,175)
Net (loss)/gain on financial assets at			
fair value through profit or loss		<b>(55,078)</b>	38,954
Selling and distribution expenses		<b>(32,087)</b>	(16,270)
Equity-settled share-based payment expenses		<b>(7,696)</b>	–
Administrative expenses		<b>(105,926)</b>	(39,361)
Finance costs		<b>(12,573)</b>	(9,224)
Other operating expenses		<u><b>(13,068)</b></u>	<u>(9,393)</u>
<b>Profit before taxation</b>		<b>77,075</b>	7,986
Taxation	6	<u><b>(37,760)</b></u>	<u>(1,644)</u>
<b>Profit for the period</b>		<u><b>39,315</b></u>	<u>6,342</u>

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<i>Note</i>		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income for the year, net of income tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operation		<u>71,799</u>	<u>—</u>
Total comprehensive income for the period		<u>111,114</u>	<u>6,342</u>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		796	7,073
Non-controlling interests		<u>38,519</u>	<u>(731)</u>
		<u>39,315</u>	<u>6,342</u>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Owners of the Company		37,325	7,073
Non-controlling interests		<u>73,789</u>	<u>(731)</u>
		<u>111,114</u>	<u>6,342</u>
<b>Earnings per share</b>			
Basic and diluted ( <i>RMB cents per share</i> )	8	<u>0.03</u>	<u>0.28</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		367,420	377,476
Investment property		870	887
Biological assets		8,221	5,513
Prepaid lease payments		47,701	48,416
Prepayment for prepaid lease payments		25,152	25,331
Goodwill		188,945	172,453
Intangible assets		492,365	485,553
Development expenditure		2,132	2,700
Available-for-sale financial assets		63,562	63,562
Deferred tax assets		3,130	3,361
		<b>1,199,498</b>	<b>1,185,252</b>
<b>Current assets</b>			
Inventories		114,697	188,615
Biological assets		7,394	15,502
Trade receivables	10	107,612	114,141
Deposits paid, prepayments and other receivables		307,879	204,093
Prepaid lease payments		1,319	1,319
Financial assets at fair value through profit or loss		130,266	186,263
Pledged bank deposits		4,370	14,390
Cash and bank balances		52,884	130,583
		<b>726,421</b>	<b>854,906</b>
<b>Current liabilities</b>			
Trade payables	11	59,426	68,809
Accruals, deposits received and other payables		131,645	101,277
Deferred revenue		18,045	18,390
Tax payable		18,374	1,907
Bond		137,570	–
Bank borrowings		274,354	275,000
		<b>639,414</b>	<b>465,383</b>
<b>Net current assets</b>		<b>87,007</b>	<b>389,523</b>
<b>Total assets less current liabilities</b>		<b>1,286,505</b>	<b>1,574,775</b>

	As at <b>30 June</b> <b>2016</b> <b>RMB'000</b> <b>(Unaudited)</b>	As at 31 December 2015 <i>RMB'000</i> (Audited)
<b>Equity</b>		
Share capital	<b>236,606</b>	236,606
Share premium and reserves	<b>723,203</b>	932,917
<b>Equity attributable to owners of the Company</b>	<b>959,809</b>	1,169,523
<b>Non-controlling interests</b>	<b>32,316</b>	223,778
<b>Total equity</b>	<b>992,125</b>	1,393,301
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>121,145</b>	144,922
Bond	<b>137,570</b>	–
Debenture	<b>3,526</b>	3,467
Deferred revenue	<b>32,139</b>	33,085
	<b>294,380</b>	181,474
<b>Total equity and non-current liabilities</b>	<b>1,286,505</b>	1,574,775

# **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*For the six months ended 30 June 2016*

## **1. BASIS OF PREPARATION**

The condensed consolidated interim financial information for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

They have been prepared under the historical cost convention, except for biological assets and financial assets, which are carried at fair value. The condensed consolidated interim financial information are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial information are unaudited but have been reviewed by the Audit Committee.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2015 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2016.

The applicable new and revised HKFRSs adopted in the condensed consolidated interim financial statements are set out below:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS9	Financial Instruments
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Apply the Consolidation Exception
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Method of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Accordingly, no prior period adjustment is required. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has not applied the new and revised HKFRSs, that have been issued but are not yet effective.

The directors of the Company are currently assessing the impact of these new and revised HKFRSs upon but is not yet in a position to state whether they would have material financial impact on the Group's results of operations and financial position.

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

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

	Six months ended 30 June 2016 (Unaudited)					
	Chicken meat RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Gaming RMB'000	Elimination RMB'000	Total RMB'000
<b>Segment results</b>						
External segment revenue	369,427	53,158	162,520	444,904	–	1,030,009
Inter-segment revenue	120,080	68,695	42,326	–	(231,101)	–
Segment revenue	<u>489,507</u>	<u>121,853</u>	<u>204,846</u>	<u>444,904</u>	<u>(231,101)</u>	<u>1,030,009</u>
Segment results	675	6,482	21,483	260,514	–	289,154
Unallocated revenue and gains						14,349
Unallocated net loss on financial assets fair value through profit or loss						(55,078)
Equity-settled share-based payment expenses						(7,696)
Unallocated selling and distribution expenses						(32,087)
Unallocated administrative expenses						(105,926)
Unallocated operating expenses						<u>(13,068)</u>
Profit from operations						89,648
Finance costs						<u>(12,573)</u>
Profit before taxation						<u>77,075</u>



	Six months ended 30 June 2015 (Unaudited)					
	Chicken meat <i>RMB'000</i>	Chicken breeds <i>RMB'000</i>	Animal feeds <i>RMB'000</i>	Gaming <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment results</b>						
External segment revenue	371,960	50,568	198,820	–	–	621,348
Inter-segment revenue	<u>330,802</u>	<u>48,763</u>	<u>43,801</u>	<u>–</u>	<u>(423,366)</u>	<u>–</u>
Segment revenue	<u><u>702,762</u></u>	<u><u>99,331</u></u>	<u><u>242,621</u></u>	<u><u>–</u></u>	<u><u>(423,366)</u></u>	<u><u>621,348</u></u>
Segment results	2,555	10,733	20,254	–	–	33,542
Unallocated revenue and gains						9,738
Unallocated net gain on financial assets fair value through profit or loss						38,954
Unallocated selling and distribution expenses						(16,270)
Unallocated administrative expenses						(39,361)
Unallocated operating expenses						<u>(9,393)</u>
Profit from operations						17,210
Finance costs						<u>(9,224)</u>
Profit before taxation						<u><u>7,986</u></u>

#### 4. REVENUE

Revenue consists of sales of chicken meat products, chicken breeds, animal feeds and development of video games. The Group's revenue comprises the following:

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Chicken meat products	369,427	371,960
Chicken breeds	53,158	50,568
Animal feeds	162,520	198,820
Gaming	<u>444,904</u>	<u>–</u>
	<u><u>1,030,009</u></u>	<u><u>621,348</u></u>

## 5. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	333	222
Sales of side products and related products, net	2,508	3,027
Deferred income	–	24
Gain on disposal of property, plant and equipment	17	–
Government grants ( <i>Note</i> )	286	296
Reversal of impairment loss recognised on other receivables	–	2,253
Exchange gain	9,863	3,072
Dividend income	–	173
Sundry income	1,342	671
	<u>14,349</u>	<u>9,738</u>

*Note:*

Government grants include subsidies income received by a subsidiary of the Group which operates in the People's Republic of China (the "PRC") in accordance with the subsidy policies of local government authorities and in relation to the construction of qualifying assets. Subsidies income received by a subsidiary of the Group is recognised in profit or loss when received and no specific conditions have been required to fulfill. Those government grants in relation to the construction of qualifying assets are recognised as deferred income. The government grants recognised at 30 June 2016 are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

## 6. TAXATION

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC enterprise income tax		
– current period	1,477	1,413
Canadian corporate income tax		
– current period	36,283	–
Deferred income tax	–	231
	<u>37,760</u>	<u>1,644</u>

*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 for the 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 for the 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 period, except for the following:

- (i) Pursuant to the Ministry of Finance’s Notice on Preferential EIT 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 Company Limited (“Fujian Baojiashun”) is also entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products for the period.

- (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, and 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 for the period.

Fujian Hetai Poultry Company Limited (“Fujian Hetai”) is also entitled to EIT exemption with respect to the income derived from broilers breeding for the period.

- (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 Trading”) 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 18% for the year ended 31 December 2008, 20% for the year ended 31 December 2009, 22% for the year ended 31 December 2010, 24% for the year ended 31 December 2011 and 25% for the year ended 31 December 2012 and afterward.
- (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 period ended 30 June 2016.

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 for the period would not be distributed in the foreseeable future.

## 7. PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Including in administrative expenses</b>		
Staff costs including directors' remuneration	49,765	12,014
Contributions to retirement schemes	3,614	2,437
	<u>53,379</u>	<u>14,451</u>
Total staff costs	<u>53,379</u>	<u>14,451</u>
<b>Including in administrative expenses</b>		
Depreciation of property, plant and equipment	16,579	14,332
Depreciation of investment property	17	17
Amortisation of development expenditure	792	–
Amortisation of prepaid lease payments	715	659
Amortisation of intangible assets	37,026	–
	<u>55,129</u>	<u>15,008</u>
Total depreciation and amortisation	<u>55,129</u>	<u>15,008</u>
<b>Net gain on financial assets at fair value through profit or loss:</b>		
Proceeds on sales	17,278	45,122
Less: Cost of sales	(24,736)	(45,520)
	<u>(7,458)</u>	<u>(398)</u>
Net realised (loss) on financial assets at fair value through profit or loss	(7,458)	(398)
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(47,620)	39,352
	<u>(55,078)</u>	<u>38,954</u>
Net (loss)/gain on financial assets at fair value through profit or loss	<u>(55,078)</u>	<u>38,954</u>

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
<b>Profit</b>		
Profit attributable to owners of the Company		
for the purpose of calculating basic earnings per share	<u><u>796</u></u>	<u><u>7,073</u></u>

	Six months ended 30 June	
	2016	2015
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares		
for the purpose of basic earnings per shares	<u><u>2,868,480</u></u>	<u><u>2,499,575</u></u>

Diluted earnings per share were same as the basic earning per share as there were no potential dilutive ordinary shares in existence for both of the reporting periods.

## 9. DIVIDENDS

No dividends were declared during the six months ended 30 June 2016 and 2015.

## 10. TRADE RECEIVABLES

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
Trade receivables	108,020	114,549
Less: Impairment loss recognised	(408)	(408)
	<u>107,612</u>	<u>114,141</u>

The Group normally allows a credit period ranging from 15 to 70 days. The ageing analysis of trade receivables, net of impairment is as follows:

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
Within 30 days	61,792	102,724
31 to 70 days	32,455	4,207
71 to 180 days	13,365	7,210
	<u>107,612</u>	<u>114,141</u>

## 11. TRADE PAYABLES

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
Trade payables	<u>59,426</u>	<u>68,809</u>

The ageing analysis of trade payables are as follows:

	As at <b>30 June</b> <b>2016</b> <i><b>RMB'000</b></i> <b>(Unaudited)</b>	As at 31 December 2015 <i>RMB'000</i> (Audited)
Within 30 days	51,272	60,844
31 to 90 days	2,916	6,583
91 to 180 days	2,842	640
Over 180 days	2,396	742
	<u>59,426</u>	<u>68,809</u>

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

## 12. COMMITMENTS FOR EXPENDITURE

	As at <b>30 June</b> <b>2016</b> <i><b>RMB'000</b></i> <b>(Unaudited)</b>	As at 31 December 2015 <i>RMB'000</i> (Audited)
Commitments for acquisition of property, plant and equipment and advertisement	<u>25,788</u>	<u>25,482</u>



### **13. EVENTS AFTER THE END OF THE REPORTING PERIOD**

#### **Acquisition of Video Games Companies**

On 1 July 2016, Paul Wedgwood, Radius Maxima Limited (a wholly-owned subsidiary of the Company) and the Company entered into the conditional sale and purchase agreement (“Main SPA”), pursuant to which Radius Maxima conditionally agreed to acquire the entire issued share capital of each of Splash Damage Limited, Fireteam Limited and Warchest Limited from Paul Wedgwood. Radius Maxima expects to enter into the optionholder sale and purchase agreements with the optionholders at or prior to completion. The Targets (being Splash Damage, Fireteam and Warchest, which are companies incorporated under the laws of England and Wales) are expected to become wholly-owned subsidiaries of Radius Maxima at completion.

Splash Damage, together with its subsidiary, is principally engaged in the development of computer games for different hardware platforms, including consoles, personal computers and mobile devices. Fireteam is principally engaged in the provision of online services and back-end support of computer games. Warchest is principally engaged in owning, publishing and operating competitive multiplayer games with high production values for all leading platforms.

For details, please refer to the announcement of the Company dated 3 July 2016.

#### **Memorandum of Understanding in Respect of a Possible Acquisition of the Entire Issued Share Capital of Global Parade Investment Limited**

On 4 July 2016, a wholly-owned subsidiary of the Company, Dream Beyond Holdings Limited (the “Purchaser”), and Mr. Xu Liang (the “Vendor”) entered into a memorandum of understanding (the “MOU”) in respect of the possible acquisition (the “Possible Acquisition”) of the entire issued share capital of Global Parade Investment Limited (the “Target”), a company incorporated in the British Virgin Islands with limited liability principally engaged in investment holdings, and the amount of consideration will be determined in the formal sale and purchase agreement. The Purchaser has paid a deposit to the Vendor at the amount of HK\$30,000,000 within 10 days from the execution date of the MOU. The Target holds the entire issued share capital of Global Parade Investment HK Limited, a company incorporated in Hong Kong with limited liability, which in turn holds Shenzhen Gaobaoda Xinxi Keji Co. Ltd\* (深圳高寶達信息科技有限公司), a company incorporated in the PRC with limited liability and the potential purchaser of the entire or partial equity interests in Beijing Jiaxin Hesheng Yidong Tongxin Keji Co., Ltd.\* (北京嘉信合勝移動通信科技有限公司) (“Beijing Jiaxin”). Beijing Jiaxin is a company incorporated in the PRC with limited liability and is principally engaged in provision of high technology services to mobile game developers and online gaming companies in the PRC.

For details, please refer to the announcement of the Company dated 4 July 2016.

\* For identification purpose only

**Very Substantial Disposal and Connected Transactions Relating to Disposal of the Entire Equity Interest in the Target Company and provision of Financial Assistance to a Connected Person**

On 10 August 2016 (after trading hours), the Company and Ms. Fu Jianping as purchaser entered into the Sale and Purchase Agreement, pursuant to which, the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Sumpo International Holdings Limited (“SIHL”) at a consideration of RMB215,000,000 (equivalent to approximately HK\$258,000,000), subject to the terms and conditions of the Sale and Purchase Agreement (the “Disposal”). Upon completion of the Disposal, SIHL and its subsidiaries will cease to be subsidiaries of the Company (the “Disposal”).

SIHL was indebted to other members of the Group for approximately RMB236,111,000 (equivalent to approximately HK\$283,333,200), being the Current Account Balance. Pursuant to the Sale and Purchase Agreement, the Purchaser shall procure SIHL to repay the Current Account Balance and any interests accrued thereon within one month (which can be extended upon agreement between the Company and the Purchaser) from the date of completion. The Company will be entitled to an interest of 10% per annum on the outstanding amount of the Current Account Balance from the date of the Completion until the Current Account Balance is fully repaid.

Ms. Fu Jianping is the spouse of Mr. Lin Qinglin and therefore regarded as a connected person of the Company. The transactions contemplated under the Sale and Purchase Agreement constitute a very substantial disposal and connected transaction of the Company and subject to the approval of the independent shareholders.

For details, please refer to the announcement of the Company dated 10 August 2016.

The Company has been informed by the Stock Exchange that, based on the information available to them, it has concerns that the transaction contemplated under the Main SPA, and (i) the acquisition of the 97% equity interest in Digital Extremes in aggregate, which were completed on 21 July 2015 and 22 May 2016, respectively; (ii) the acquisition of the equity interests of Huizhou Zhibin Technology Ltd.\* (惠州智彬科技有限公司) as disclosed in the Company’s announcement dated 10 March 2016; and (iii) the Disposal, taken together, may constitute a reverse takeover under Rule 14.06(6) of the Listing Rules and an attempt to list the Company’s video gaming business. The Company is in communication with the Stock Exchange in this regard and further announcement(s) will be made by the Company as and when appropriate.

\* *For identification purpose only*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Group results**

For the period ended 30 June 2015, the Group turnover rose 65.8% year-over-year to RMB1,030 million from RMB621.3 million a year ago, thanks to the revenue contribution of video gaming business. Note that our purchase of the 58% stake of the video gaming studio, Digital Extremes Limited (“Digital Extremes”) was not closed until 21 July, 2015, thus the first half 2015 financial statement reflected only the performance of the poultry business. On a comparable basis (excluding the new contribution from the video gaming business), revenue from the poultry operation dropped 5.8% year-over-year to RMB585.1 million compared to RMB621.3 million a year ago. During the period, gross profit advanced 628% yearly to RMB296.5 million from RMB40.7 million a year ago, amid the contribution from the much more profitable video gaming business. On a comparable basis, gross profit from the poultry operation for the first half 2016 indeed declined 11.6% year-over-year to RMB36.0 million.

Despite the material improvement in gross profit in first half of 2016, the Group continued to suffer from the rising administrative expenses from the poultry business, an increase in amortization of intangible assets, as well as substantial losses from changes in value of biological assets and financial assets. As a result, the Group recorded a net profit attributable to shareholders of approximately RMB0.8 million for the period ended 30 June 2016 as opposed to a net profit of RMB7.1 million a year ago. Earnings per share equaled RMB0.03 and no interim dividend was declared.

#### **Video gaming**

Digital Extremes, our next-generation video gaming studio in Canada, continued to deliver another set of excellent results for the first half of 2016 after a stellar 2015. For the six months ended 30 June 2016, the video gaming revenue of Digital Extremes was approximately RMB444.9 million. The strong revenue growth was contributed by the increase in number of average monthly paying users as our high-quality major updates continued to attract new players and retain substantial existing players. Warframe’s average monthly paying user number in the six months ended 30 June 2016 reached 152,000 on PC and 114,000 on consoles, respectively, laying the foundation for sustainable revenue growth.

The cost of revenue amounted to approximately RMB184.4 million, it included the revenue sharing costs with online distributors and payment operators, which was generally in line with (but still slower than) the increase in video gaming revenue. The gross profit of Digital Extremes amounted to approximately RMB260.5 million. In light of the robust gross profit growth and excellent control in selling expenses as well as general and administrative expenses, Digital Extremes was able to generate profit for the group for the six months ended 30 June 2016.

Under the backdrop of the strong financial performance and growth momentum of Digital Extremes, the acquisition of further 39% of Digital Extremes took place on 20 May 2016. The consideration paid by Multi Dynamic Games (a wholly owned subsidiary of the Group) for the 39% acquisition amounted to US\$65,028,688. Following the 39% acquisition closing, both the common shares and Class B Special shares in the issued share capital of Digital Extremes are owned as to 97.0% by Multi Dynamic Games. The Group's financial performance for the full year 2016 sets to benefit from the increase in earnings contribution from Digital Extremes.

Being the world largest mobile video gaming market, China continues to register robust growth in 2016. With the growing affluent of Chinese video gamers, the proliferation of higher-end smartphones, and improving 4G mobile network, the Group sees a significant growth potential for the mobile-based video game industry and its affiliate business in China. On 10 March 2016, an indirect wholly-owned subsidiary of the Group entered into the equity transfer agreement and the supplementary agreement in relation to the acquisition of the entire equity interests in Huizhou Zhibin Technology Ltd.\* (惠州智彬科技有限公司) which has entered into an entrusted management agreement to operate and manage Xunhong Technologies Development Company Ltd.\* (訊鴻科技開發有限公司) for an aggregate consideration of RMB80 million. The acquired company is currently engaged in the business of mobile application design, technology development, mobile commerce, mobile internet and business information consultancy in the PRC. We are confident that Huizhou Zhibin Technology would continue to benefit from the strong growth in the video gaming business in China and the addition of this business will widen our earnings base and strengthen our foundation for future growth.

\* For identification purpose only

## **Poultry**

Following a difficult 2015, the Group continues to face an arduous operation environment for the past 6 months. As highlighted in our 2015 annual report, we have made on-going efforts to improve raw materials procurement, feed production, breeder and broiler breeding, broiler slaughtering and process, as well as sales mix rationalization. Nevertheless, we continued to suffer from a shortage of fertile eggs and the resulted rising procurement costs in the first half of 2016. The less-than-optimal breeding performance have also impacted the product yield negatively and put further pressure on our overall production costs. As a result, gross profit from poultry operation declined 11.6% year-over-year to RMB36.0 million from a year ago on the back of a 5.8% yearly drop in the poultry revenue to RMB583.1 million. In particular, our chicken meat products and chicken breeds business both recorded a double-digit decline in gross profit for first half 2016, primarily due to the escalating raw material prices. In light of the rising selling and administrative expenses plus a material decline in value of the biological assets, the operating losses for the poultry operation widened further for the six month ended 30 June 2016.

## **BUSINESS STRATEGY AND OUTLOOK**

### **Video gaming**

Video gaming business remains our prime growth engine. Organically, the Group looks forward to the further revenue uplift from future high quality major updates on Warframe, our flagship video game from Digital Extremes, to be launched in the second half of 2016 and beyond. We are also assessing the strategic options available with our publishing partners with a view to improve the market penetration of Warframe in China and Asia for the quarters to come. Moreover, we remain excited by the new games pipeline developed in-house at Digital Extremes, and also potentially through working with other world class video gaming studios.

As indicated in our 2015 annual report, the Group will focus on building a diversified portfolio of profitable video gaming studios with strong intellectual properties and franchises, innovative business models, as well as world class production capacity in more developed markets that have proved their success in developing high-end video games. After an extended period of negotiation, the Group announced on 1 July 2016 that Paul Wedgwood and the Group had entered into the Sale and Purchase Agreements pursuant to which Radius Maxima (a wholly-owned subsidiary of the Group) conditionally agreed to acquire the target companies – Splash Damage, Fireteam and Warchest, all incorporated under the laws of England and Wales. Splash Damage is principally engaged in the development of computer games for different hardware platforms. Fireteam is principally engaged in the provision of online services and back-end support of video games. Warchest is principally engaged in owning, publishing and operating competitive multiplayer games all leading platforms (the “UK Acquisitions”).

The consideration payable by Radius Maxima to Paul Wedgwood and the Option holders under the Sale and Purchase Agreements shall not in any event exceed US\$150 million. The target companies recorded unaudited net profit of approximately £6.5 million for the year ended 31 March 2016. Given the improving trend in profitability, the prospects of the future projects, and the possible synergies generated within the Group, the Board believes the business of the target companies have substantial growth potential ahead. The acquisition will also allow the Group to further diversify its video gaming portfolio geographically and thus enhance its revenue and earning streams.

The Stock Exchange has concerns in respect of the reverse takeover implications of the UK Acquisitions. On 25 August, 2016, the Listing Committee of the Stock Exchange resolved that the UK Acquisitions, together with the acquisitions of Digital Extremes and Huizhou Zhibin Technology Ltd.\* (惠州智彬科技有限公司) constitute an extreme very substantial acquisition. While the reverse takeover rules under the Listing Rules should not apply, the Group is required to prepare a transaction circular with enhanced disclosure comparable to prospectus standard and to appoint a financial adviser to conduct due diligence on the target companies under the acquisition and the other acquisitions.

The Group is currently assessing the impact of the decision of the Listing Committee, and will make further announcement(s) regarding the expected dispatch date of the circular and the status of the UK Acquisitions as appropriate.

## **Poultry**

Management have undertaken numerous measures in recent years to diversify revenue base and cut costs in light of the fast deteriorating broiling industry in China. However, we continued to suffer from more than 3 consecutive years of financial losses despite of our integrated production process, the on-going focus in managing procurement and production costs, the measures on strengthening product management and quality, as well as our efforts of rationalizing sales mix and expanding the sales channels. After a recent strategic review, we increasingly believe that the management has limited control on improving the operational performance and financial results of the poultry business over the medium-term.

While we were still assessing the options available for the Group with regarding the long term strategic value of the poultry business, the spouse of Mr. Lin Qinglin, an executive Director, approached the Board and expressed her interest in acquiring the poultry business in its entirety from the Group by the end of April, 2016. After further discussions and negotiations to finalize the commercial terms, the Group conditionally agreed to sell and the purchaser conditionally agreed to purchase the entire poultry business at a consideration of RMB215 million on 10 August 2016.

The disposal of the poultry business constituted a very substantial disposal and connected transaction of the Company and is subject to the approval of the independent shareholders. For details, please refer to the announcement of the Group dated 10 August 2016.

\* *For identification purpose only*

## FINANCIAL REVIEW

### 1. 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 and the corresponding period in 2015:

	For the six months ended 30 June				
	2016	% of	2015	% of	%
	<i>RMB'000</i>	total	<i>RMB'000</i>	total	change in
		revenue		revenue	revenue
Chicken meat products	369,427	35.8	371,960	59.9	(0.7)
Animal feeds	162,520	15.8	198,820	32.0	(18.3)
Chicken breeds	53,158	5.2	50,568	8.1	5.1
Gaming	444,904	43.2	–	–	100
Total	<u>1,030,009</u>	<u>100</u>	<u>621,348</u>	<u>100.0</u>	<u>65.8</u>

Our total revenue increased by approximately 65.8% from approximately RMB621,348,000 for the six months ended 30 June 2015 to approximately RMB1,030,009,000 for the six months ended 30 June 2016, primarily due to the increase of revenue from the gaming business.

#### *Poultry*

Revenue from sales of our chicken meat products business decreased by approximately 0.7%, from approximately RMB371,960,000 for the six months ended 30 June 2015 to approximately RMB369,427,000 for the six months ended 30 June 2016, primarily as a result of the decrease in the sales volume of our chicken meat products.

Revenue from sales of our animal feeds business decreased by approximately 18.3% from approximately RMB198,820,000 for the six months ended 30 June 2015 to approximately RMB162,520,000 for the six months ended 30 June 2016, primarily as a result of the decrease in the average selling price and the sales volume of animal feeds.



Revenue from sales of our chicken breeds business increased by approximately 5.1% from approximately RMB50,568,000 for the six months ended 30 June 2015 to approximately RMB53,158,000 for the six months ended 30 June 2016, primarily due to the increase in average selling price which has been partly offset by the decrease in the sales volume of chicken breeds.

## ***Gaming***

For the six months ended 30 June 2016, the revenue of Digital Extremes amounted to approximately RMB444.9 million (six months ended 30 June 2015: Nil). Increase was mainly attributable to the newly consolidated gaming business of the Group.

## **2. Gross Profit**

The following table sets out our total gross profit by major product categories during the reporting period and the corresponding period in 2015:

	For the six months ended 30 June				
		% of total		% of total	
	2016	gross	2015	gross	% change
	<i>RMB'000</i>	profit	<i>RMB'000</i>	profit	in gross profit
		revenue			
Gross Profit					
Chicken meat products	675	0.2	2,556	6.3	(73.6)
Animal feeds	21,483	7.3	20,254	43.9	6.1
Chicken breeds	13,814	4.7	17,889	49.8	(22.8)
Gaming	260,514	87.8	–	–	100
	<u>296,486</u>	<u>100</u>	<u>40,699</u>	<u>100.0</u>	<u>628</u>
Total	<u>296,486</u>	<u>100</u>	<u>40,699</u>	<u>100.0</u>	<u>628</u>

Gross profit increased by approximately 628% from approximately RMB40,699,000 for the six months ended 30 June 2015 to approximately RMB296,486,000 for the six months ended 30 June 2016. Our overall gross profit margin increased to approximately 28.8% from 6.6% for six months ended 30 June 2015 due to the higher gross profit margin of gaming business.

### ***Poultry***

Gross profit from our chicken meat products business decreased by approximately 73.6% from approximately RMB2,556,000 for the six months ended 30 June 2015 to approximately RMB675,000 for the six months ended 30 June 2016. This was primarily due to the escalating raw material prices and higher operating costs during the period under review.

Gross profit from our animal feeds business remained relatively stable for the six months ended 31 June 2015 and 2016. This was primarily due to the stable average selling price of animal feed combined with the decrease in costs during the period under review.

Gross profit from our chicken breeds business decreased by approximately 22.8% from approximately RMB17,889,000 for the six months ended 30 June 2015 to approximately RMB13,814,000 for the six months ended 30 June 2016. This was primarily due to the increase in the cost of animal feeds during the period under review.

### ***Gaming***

The gross profit of Digital Extremes amounted to approximately RMB260.5 million, representing gross profit margins of approximately 87.8% for the six months ended 30 June 2016. The increasing trend in the gross profit margin of Digital Extremes for the six months ended 30 June 2016 was largely attributable to revenues increasing disproportionately compared to some components of cost of revenue.

## **3. Other Revenue and Gains**

Other revenue and gains increased by approximately 47.3%, from approximately RMB9,738,000 for the six months ended 30 June 2015 to approximately RMB14,349,000 for the six months ended 30 June 2016, primarily as a result of the increase in exchange difference.

#### **4. Selling and Distribution Expenses**

Selling and distribution expenses increased by approximately 97.2%, from approximately RMB16,270,000 for the six months ended 30 June 2015 to approximately RMB32,087,000 for the six months ended 30 June 2016, primarily as a result of the increase from sharing of cost at gaming segment.

#### **5. Administrative Expenses**

Administrative expenses increased by approximately 169.1%, from approximately RMB39,361,000 for the six months ended 30 June 2015 to approximately RMB105,926,000 for the six months ended 30 June 2016, primarily as a result to consolidating of gaming segment and amortization of the intangible assets of approximately RMB37,026,000.

#### **6. Finance Costs**

Finance costs increased by approximately 36.3%, from approximately RMB9,224,000 for the six months ended 30 June 2015 to approximately RMB12,573,000 for the six months ended 30 June 2016, primarily as a result of the increase in bank borrowings and interest bearing bond.

#### **7. Taxation**

Taxation increased by approximately 2,196.8%, from a tax expense of approximately RMB1,644,000 for the six months ended 30 June 2015 to a tax expense of approximately RMB37,760,000 for the six months ended 30 June 2016, as a result of consolidating of the profitability of the gaming segment.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its operations with internally generated cash flow and bank facilities for its capital requirements. As at 30 June 2016, cash and cash equivalents and pledged bank deposits amounted to approximately RMB52,884,000 (31 December 2015: approximately RMB130,583,000). The decrease in cash and cash equivalents was mainly due to funding of further acquisition of 39% of entire issued capital of Digital Extreme and Huizhou Zhibin Technology Ltd\* (惠州智彬科技有限公司).

### **Borrowings and Pledged Assets**

As at 30 June 2016, the total amount of interest-bearing bank borrowings was approximately RMB549,495,000 (31 December 2015: approximately RMB275,000,000). All the Group's bank borrowings were denominated in USD and Renminbi with interest rates ranged from 5.25% to 13.5% per annum. As at 30 June 2016, the bank borrowings were secured by the Group's bank deposits, properties, plant and equipment and prepaid lease payments with total carrying value of approximately RMB146,721,000 (31 December 2015: approximately RMB120,785,000).

### **Gearing Ratio**

As at 30 June 2016, the gearing ratio of the Group was approximately 28.5% (31 December 2015: approximately 13.5%). This was calculated by dividing interest-bearing bank borrowings with the total assets of the Group as at 30 June 2016. The increase in the gearing ratio was mainly due to the issuance of interest bearing bond during the period under review.

## **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 RMB and CDN. 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.

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

The acquisition of 39% of the entire issued share capital of Digital Extremes Limited was completed on 20 May 2016. Upon completion, Digital Extremes Limited is 97% owned by the Group.

\* For identification purpose only

On 10 March 2016, Leyou World (Shenzhen) Science and Technology Co. Ltd. entered into an equity transfer agreement and a supplemental agreement for the acquisition of the entire equity interest in 惠州智彬科技有限公司 (Huizhou Zhibin Technology Ltd) for an aggregate consideration of RMB80,000,000. The acquisition is subject to the satisfaction of certain conditions on or before 31 December 2016. For further details, please refer to the announcement of the Company dated 10 March 2016.

## **CONTRACTUAL AND CAPITAL COMMITMENTS**

As at 30 June 2016, the Group had contractual and capital commitments of approximately RMB25,788,000 (31 December 2015: approximately RMB25,482,000).

## **CONTINGENT LIABILITIES**

As at 30 June 2016, the Group had no material contingent liabilities (31 December 2015: Nil).

## **HUMAN RESOURCES**

As at 30 June 2016, the Group had 1,749 employees. Employee costs, including directors' emoluments, amounted to approximately RMB53,379,000 (30 June 2015: RMB14,451,000) for the six months ended 30 June 2016. All of the Group members are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits 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.

## **OTHER INFORMATION**

### **Corporate Governance**

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. In the opinion of the Directors, the Company had been in compliance with the relevant provisions of the CG Code during the six months ended 30 June 2016.

## **Review by Audit Committee**

The Audit Committee has reviewed the interim report for the six months ended 30 June 2016 including the accounting policies and practices adopted by the Group with the management.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors confirmed that they have complied with the Model Code and the required standards of its code of conduct regarding securities transactions by Directors during the period under review.

## **Purchase, Sale or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2016.

## **Interim Dividend**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016.

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

Hong Kong, 29 August 2016

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