



LEYOU TECHNOLOGIES HOLDINGS LIMITED

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

INTERIM REPORT

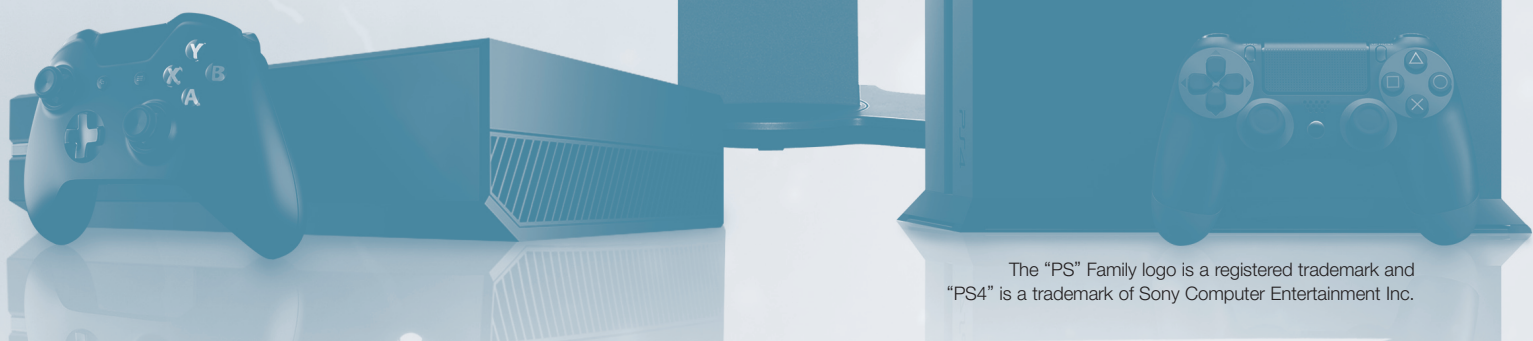
2016



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Corporate Information

DIRECTORS

Executive Directors

Mr. Lin Qinglin (*Chairman*)

Mr. Law Kin Fat (*Vice Chairman*)

Mr. Wu Shiming

Mr. Wong Ka Fai Paul

Mr. Hsiao Shih-Jin

Non-Executive Director

Mr. Eric Todd

Independent Non-Executive Directors

Mr. Hu Chung Ming

Mr. Chan Chi Yuen

Mr. Yang Chia Hung

AUDIT COMMITTEE

Mr. Hu Chung Ming (*Committee Chairman*)

Mr. Yang Chia Hung

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. Chan Chi 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.leyoutech.com.hk



Financial Highlights

	Six months ended 30 June 2016 RMB'000 (unaudited)	Six months ended 30 June 2015 RMB'000 (unaudited)	Change %
RESULTS HIGHLIGHTS			
Revenue	1,030,009	621,348	65.8
Gross Profit	296,487	40,699	628.5
Gross Profit Margin (%)	28.8%	6.6%	336.4
Profit for the period attributable to the owners of the Company	796	7,073	(88.7)
Basic earning per share (RMB cents)	0.03	0.28	(89.3)
Dividend per share (RMB cents)	Nil	Nil	N/A
	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)	Change %
BALANCE SHEET HIGHLIGHTS			
Total assets	1,925,919	2,040,158	(5.6)
Total borrowings	553,020	278,467	98.6
Net assets	992,125	1,393,301	(28.8)
Net assets per share (RMB)	0.35	0.49	
Current ratio	1.14	1.84	
Gearing ratio*	28.7%	13.6%	

* Gearing ratio = Interest-bearing borrowings/Total assets

MANAGEMENT DISCUSSION AND ANALYSIS





Management Discussion and Analysis

BUSINESS REVIEW

Group results

For the period ended 30 June 2016, 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 628.5% 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 amortisation 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.



Management Discussion and Analysis

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.

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 rationalisation. 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 RMB585.1 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”).

* For identification purpose only



Management Discussion and Analysis

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 rationalising 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 finalise 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.



Management Discussion and Analysis

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:

	2016 RMB'000	For the six months ended 30 June			
		% of total revenue	2015 RMB'000	% of total revenue	% change in 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	–	–	100.0
Total	1,030,009	100.0	621,348	100.0	65.8

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.



Management Discussion and Analysis

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				
	2016	% of total gross profit	2015	% of total gross profit	% change in gross profit
	RMB'000	revenue	RMB'000	profit	
Gross Profit					
Chicken meat products	675	0.2	2,556	6.3	(73.6)
Animal feeds	21,483	7.2	20,254	49.8	6.1
Chicken breeds	13,815	4.7	17,889	43.9	(22.8)
Gaming	260,514	87.9	–	–	100.0
Total	296,487	100.0	40,699	100.0	628.5

Gross profit increased by approximately 628.5% from approximately RMB40,699,000 for the six months ended 30 June 2015 to approximately RMB296,487,000 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 30 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 RMB13,815,000 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 RMB260,514,000, representing gross profit margins of approximately 87.9% 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.



Management Discussion and Analysis

3. Other Revenue and Gains

Other revenue and gains increased by approximately 47.4%, 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 amortisation 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 bridging loan 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 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 and bond were approximately RMB549,494,000 (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 RMB274,354,000 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). Another Group's bond of approximately RMB275,140,000 were secured by equity interest of the Group's subsidiaries.

* For identification purpose only



Management Discussion and Analysis

Gearing Ratio

As at 30 June 2016, the gearing ratio of the Group was approximately 28.7% (31 December 2015: approximately 13.6%). This was calculated by dividing interest-bearing 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.

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 Huizhou Zhibin Technology Ltd* (惠州智彬科技有限公司) 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.

* For identification purpose only



Other Information

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

As at 30 June 2016, 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. Hsiao Shih-Jin	Interest in controlled corporation	545,050,000 (Note 2)	19.00%
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 Options".
2. These 545,050,000 shares are held through Timerich Technology Limited, a company incorporated in Hong Kong, and wholly and beneficially owned by Mr. Hsiao Shih-Jin.

Save as disclosed above, as at 30 June 2016, 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 30 June 2016, 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:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Timerich Technology Limited	Beneficial owner	545,050,000	19.00%

Note: Timerich Technology Limited, a company incorporated in Hong Kong, is wholly and beneficially owned by Mr. Hsiao Shih-Jin, an executive Director of the Company.

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2016, 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.

SHARE OPTIONS

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.



Other Information

Details of the movement in the share options granted under the Share Option Scheme during the six months ended 30 June 2016 are as follows:

Grantees	Date of grant of share options	Exercisable period	Exercise price of share option	Outstanding as at 1 January 2016	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2016
<i>Directors</i>							
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 (Note)	25 July 2015	25 January 2016 to 24 July 2025	HK\$1.20	7,200,000	-	7,200,000	-
<i>Chief Executive</i>							
Mr. Wang Haitong	25 July 2015	25 January 2016 to 24 July 2025	HK\$1.20	14,400,000	-	-	14,400,000
<i>Employees</i>							
	25 July 2015	25 January 2016 to 24 July 2025	HK\$1.20	21,600,000	-	21,600,000	-
<i>Consultants</i>							
	25 July 2015	25 January 2016 to 24 July 2025	HK\$1.20	100,800,000	-	-	100,800,000
Total:				158,400,000	-	28,800,000	129,600,000

Note: Mr. He Zhigang resigned as an executive Director with effect from 4 May 2016, and the share options granted to him were lapsed one month after his resignation.

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.

Risk Management and Internal Control

The Board recognises its responsibility for maintaining a sound and effective system of internal control to safeguard the shareholders' investment and the Company's assets, and for reviewing its effectiveness. The Company has appointed an independent professional as an internal audit and to report directly to the Audit Committee on a semi-annually basis.

Based on the respective assessments made by management, the Audit Committee considered that for the six months ended 30 June 2016:

- The risk management and internal control systems, as well as accounting systems of the Group were in place and functioning effectively and adequately, and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorisation and the financial statements were reliable for publication.
- There was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.



Other Information

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



Interim Results

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 (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	4	1,030,009	621,348
Cost of sales		(733,522)	(580,649)
Gross profit		296,487	40,699
Other revenue and gains	5	14,349	9,738
Losses arising from changes in fair value less cost to sell of biological assets	12	(10,639)	(6,505)
Fair value of agricultural produce on initial recognition		54,288	44,523
Reversal of fair value of agricultural produce due to hatch and disposals		(50,982)	(45,175)
Net (loss)/gain on financial assets at fair value through profit or loss	8	(55,078)	38,954
Selling and distribution expenses		(32,087)	(16,270)
Administrative expenses		(105,926)	(39,361)
Finance costs	6	(12,573)	(9,224)
Other operating expenses		(13,068)	(9,393)
Equity-settled share-based payment expenses		(7,696)	–
Profit before taxation		77,075	7,986
Taxation	7	(37,760)	(1,644)
Profit for the period		39,315	6,342



Interim Results

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Other comprehensive income for the period, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operation		71,799	–
Other comprehensive income for the period, net of income tax		71,799	–
Total comprehensive income for the period		111,114	6,342
Profit/(loss) for the period attributable to:			
Owners of the Company		796	7,073
Non-controlling interests		38,519	(731)
		39,315	6,342
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		37,325	7,073
Non-controlling interests		73,789	(731)
		111,114	6,342
Earnings per share			
Basic and diluted (RMB cents per share)	9	0.03	0.28

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



Interim Results

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	11	367,420	377,476
Investment property		870	887
Biological assets	12	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
		1,199,498	1,185,252
Current assets			
Inventories		114,697	188,615
Biological assets	12	7,394	15,502
Trade receivables	13	107,612	114,141
Deposits paid, prepayments and other receivables	14	307,879	204,093
Prepaid lease payments		1,319	1,319
Financial assets at fair value through profit or loss	15	130,266	186,263
Pledged bank deposits		4,370	14,390
Cash and bank balances		52,884	130,583
		726,421	854,906
Current liabilities			
Trade payables	16	59,426	68,809
Accruals, deposits received and other payables	17	131,645	101,277
Deferred revenue		18,045	18,390
Tax payable		18,374	1,907
Bond	19	137,570	–
Bank borrowings		274,354	275,000
		639,414	465,383
Net current assets		87,007	389,523
Total assets less current liabilities		1,286,505	1,574,775



Interim Results

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Equity			
Share capital	18	236,606	236,606
Reserves		723,203	932,917
Equity attributable to owners of the Company		959,809	1,169,523
Non-controlling interests		32,316	223,778
Total equity		992,125	1,393,301
Non-current liabilities			
Deferred tax liabilities		121,145	144,922
Bond	19	137,570	–
Debenture		3,526	3,467
Deferred revenue		32,139	33,085
Total non-current liabilities		294,380	181,474
Total equity and non-current liabilities		1,286,505	1,574,775

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



Interim Results

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Share option reserve RMB'000	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 2015 (audited)	167,392	137,512	17,423	5,205	46,240	38,193	-	81,169	493,134	14,733	507,867
Profit/(loss) for the period	-	-	-	-	-	-	-	7,073	7,073	(731)	6,342
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	7,073	7,073	(731)	6,342
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	-	-	-	-	892	-	-	(892)	-	-	-
As at 30 June 2015 (unaudited)	236,606	815,801	17,423	5,205	47,132	38,193	-	87,350	1,247,710	14,002	1,261,712
As at 1 January 2016 (audited)	236,606	815,801	14,744	(4,586)	48,422	38,193	22,982	(2,639)	1,169,523	223,778	1,393,301
Profit for the period	-	-	-	-	-	-	-	796	796	38,519	39,315
Other comprehensive income for the period	-	-	-	36,529	-	-	-	-	36,529	35,270	71,799
Total comprehensive income for the period	-	-	-	36,529	-	-	-	796	37,325	73,789	111,114
Acquisition of partial interest in subsidiaries	-	-	-	21,572	-	(276,307)	-	-	(254,735)	(169,944)	(424,679)
Grant of share option	-	-	-	-	-	-	7,696	-	7,696	-	7,696
Lapse of share option	-	-	-	-	-	-	(8,357)	8,357	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(95,307)	(95,307)
As at 30 June 2016 (unaudited)	236,606	815,801	14,744	53,515	48,422	(238,114)	22,321	6,514	959,809	32,316	992,125

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



Interim Results

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	142,012	(131,840)
Investing activities		
Interest received	333	222
Prepayments for property, plant and equipment	–	(7,455)
Increase in development cost capitalised	(657)	–
Purchase of property, plant and equipment	(6,522)	(30,771)
Payments for acquisition of partial interest in subsidiaries	(320,072)	–
Purchase of financial assets at fair value through profit or loss	–	(170,682)
Decrease/(increase) in pledged bank deposits	10,020	(12,566)
Decrease in deferred revenue	(1,293)	(986)
Net cash used in investing activities	(318,191)	(222,238)
Financing activities		
Repayments of bank borrowings	(25,246)	(13,011)
Proceeds from bank borrowings	24,600	60,304
Dividend paid	(238,329)	–
Issue of bond	278,678	–
Issue of shares	–	767,199
Payment for transaction costs attributable to issue of shares	–	(19,696)
Net cash generated from financing activities	39,703	794,796
Net (decrease)/increase in cash and cash equivalents	(136,476)	440,718
Cash and cash equivalents at the beginning of the period	130,583	128,332
Effect of foreign exchange rate changes, net	58,777	–
Cash and cash equivalents at the end of the period	52,884	569,050
Analysis of balances of cash and cash equivalents		
Cash and bank balances	52,884	569,050

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



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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 statements 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 (the “Listing Rules”) 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 certain financial assets, which are carried at fair value. The condensed consolidated interim financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements 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
HKFRS 9	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



2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 early 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 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.



Interim Results

3. SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June 2016 (Unaudited)					Total RMB'000
	Chicken meats RMB'000	Chicken breeds RMB'000	Animal feeds RMB'000	Gaming RMB'000	Elimination RMB'000	
Segment results						
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	489,507	121,853	204,846	444,904	(231,101)	1,030,009
Segment results	675	6,482	21,483	260,514	–	289,154
Unallocated revenue and gains						14,349
Unallocated loss on financial assets at 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 other operating expenses						(13,068)
Profit from operations						89,648
Finance costs						(12,573)
Profit before taxation						77,075



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3. SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2015 (Unaudited)					
	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	371,960	50,568	198,820	-	-	621,348
Inter-segment revenue	330,802	48,763	43,801	-	(423,366)	-
Segment revenue	702,762	99,331	242,621	-	(423,366)	621,348
Segment results	2,555	10,733	20,254	-	-	33,542
Unallocated revenue and gains						9,738
Unallocated gain on financial assets at fair value through profit or loss						38,954
Unallocated selling and distribution expenses						(16,270)
Unallocated administrative expenses						(39,361)
Unallocated other operating expenses						(9,393)
Profit from operations						17,210
Finance costs						(9,224)
Profit before taxation						7,986



Interim Results

4. REVENUE

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

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

5. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(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 (Note)	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
	14,349	9,738

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.



Interim Results

6. FINANCE COSTS

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Interest on:		
– Bank borrowings	8,932	9,076
– Bond	3,477	–
– Debenture	164	148
	12,573	9,224

7. TAXATION

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

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.



Interim Results

7. TAXATION (CONTINUED)

Notes: (Continued)

(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 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 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, 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 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 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 ending 31 December 2010, 24% for the year ending 31 December 2011 and 25% for the year ending 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.



Interim Results

8. PROFIT FOR THE PERIOD

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

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



Interim Results

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June 2016 '000	Six months ended 30 June 2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,868,480	2,499,575

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

10. DIVIDENDS

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

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for buildings, machinery and equipment, office equipment, motor vehicles, tools and construction in progress of approximately RMB245,000 (2015: RMB15,077,000), RMB5,316,000 (2015: RMB12,405,000), RMB158,000 (2015: RMB626,000), RMB14,000 (2015: RMB89,000) and RMB789,000 (2015: RMB2,270,000) respectively.



12. BIOLOGICAL ASSETS

Movements of 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 2015 (audited)	–	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)
Changes in fair value less costs to sell	(1,541)	700	5,825	4,984
As at 31 December 2015 and 1 January 2016 (audited)	3,939	1,574	15,502	21,015
Increase due to purchases	1,536	–	–	1,536
Increase due to raising (Feeding cost and others)	8,937	–	54,104	63,041
Transfer	(10,394)	10,394	–	–
Decrease due to retirement and deaths	–	(7,898)	–	(7,898)
Decrease due to sales	–	–	(51,440)	(51,440)
Changes in fair value less costs to sell	(137)	270	(10,772)	(10,639)
As at 30 June 2016 (unaudited)	3,881	4,340	7,394	15,615

Note:

The Group's biological assets at 31 December 2015 and 30 June 2016 have been arrived at on the basis of a valuation carried out by Asset Appraisal Limited and Grant Sherman Appraisal Limited respectively. As at 30 June 2016, the fair value less costs to sell of chicken breeds are determined with reference to the market determined prices of items with similar age, breed and genetic merit, if the market-determined prices are available. Due to the fact that the market-determined prices for parent stock day-old chicks and immature breeders and mature breeders are not available, the valuations adopted the net present value approach to calculate the fair value less cost to sell of these items. The resulting losses arising from changes in fair value less costs to sell of biological assets of approximately RMB10,639,000 (resulting losses for six months ended 30 June 2015: approximately RMB6,505,000) has been recognised directly in profit or loss for the six months ended 30 June 2016.



Interim Results

13. TRADE RECEIVABLES

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

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

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

The trade receivables are denominated in RMB. The Group does not hold any collateral over these balances.



Interim Results

14. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Deposits paid, prepayments and other receivables	310,985	207,199
Less: Impairment loss recognised	(3,106)	(3,106)
	307,879	204,093

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Held for trading:		
– Listed equity securities in the HK (Note (a))	103,894	150,316
– Unlisted equity securities in the PRC (Note (b))	26,372	35,947
	130,266	186,263

Notes:

- (a) Fair value is determined with reference to quoted market bid prices.
- (b) The Group holds 0.41% 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. 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 pledged of 0.41% of the paid up capital of Xiamen Bank to secure the bank borrowings.



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16. TRADE PAYABLES

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

The ageing analysis of trade payables are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (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
	59,426	68,809

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

17. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Deposits received	20,066	18,616
Accruals and other payables	111,579	82,661
	131,645	101,277



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18. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of ordinary shares		Share premium	Total
		HK\$'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Authorised:					
As at 1 January 2015 and 31 December 2015 and 30 June 2016, ordinary shares of HK\$0.1 each					
	4,000,000,000	400,000	320,000	–	320,000
Issued and fully paid:					
As at 1 January 2015 ordinary shares of HK\$0.1 each					
	1,992,000,000	199,199	167,392	137,512	304,904
Issue of shares under placing					
	876,480,000	87,648	69,214	678,289	747,503
As at 31 December 2015, 1 January 2016 and 30 June 2016	2,868,480,000	286,847	236,606	815,801	1,052,407

19. BONDS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Unlisted corporate bonds	275,140	–
Carrying amount repayable:		
On demand or within one year	275,140	–
Less: Amounts due within one year shown under current liabilities	(137,570)	–
	137,570	–

The effective interest rate of the unlisted corporate bonds are approximately 1.26%.



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20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable for the six months ended 30 June 2016.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market 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 price) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	As at 30 June 2016 (Unaudited)			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Financial assets				
Financial assets at fair value through profit or loss	103,894	–	26,372	130,266
Available-for-sale financial assets	63,562	–	–	63,562
	167,456	–	26,372	193,828

	As at 31 December 2015 (Audited)			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 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



20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurements of financial assets

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
As at beginning of the period/year	35,947	40,065
Fair value loss in profit or loss	(9,575)	(4,118)
As at end of the period/year	26,372	35,947

The above fair value loss included in the consolidated statement of profit or loss and other comprehensive income for the current period related to investment in financial assets at fair value through profit or loss (Note 15) held at the end of the period.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated interim financial statements, the Group also had the following related party transactions for the six months ended 30 June 2016 and 2015.

Particulars of significant party transactions during the period are as follows:

Name of company	Nature of transaction	Relationship	Six months ended 30 June	
			2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Fujian Ronghecheng Food Corporation Limited ("Ronghecheng Food Corporation")	Rental income	Common director in a related company		183
Ronghecheng Food Corporation	Sales of side products (Note a)	Common director in a related company	463	881
Xiamen Rohesen Food Company Limited	Sales of side products (Note b)	Common director in a related company	-	11
Xiamen Winston Trading Limited	Sales of wines	Common director in a related company	-	39



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21. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- (a) For the six months ended 30 June 2016 and 2015, the aggregate amount of the purchase price paid by Ronghecheng Food Corporation for the purchase of the agricultural side products were approximately RMB463,000 and RMB881,000 respectively.
- (b) For the six months ended 30 June 2016 and 2015, the aggregate amount of the purchase price paid by Xiamen Rohesen Food Company Limited for the purchase of the agricultural side products were approximately RMB Nil and RMB11,000 respectively.

22. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

At the end of each reporting date, 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.

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within one year	8,182	7,689
In the second to fifth years, inclusive	35,234	30,657
After the fifth year	7,000	25,745
	50,416	64,091

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 two years with fixed rentals.

23. COMMITMENTS FOR EXPENDITURE

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



24. ACQUISITION OF ADDITIONAL EQUITY INTEREST OF A SUBSIDIARY

On 20 May 2016, the Group acquired additional 39% equity interest in Digital Extreme from the non-controlling interests of Digital Extreme at a cash consideration of US\$63,000,000 (equivalent to approximately RMB411,430,000) and distributable profits shortfall of US\$2,028,688 (equivalent to approximately RMB13,249,000). The Group recognised an increase in exchange reserve at approximately RMB21,572,000 and a corresponding decrease in other reserve and non-controlling interests at approximately RMB276,307,000 and RMB169,944,000 respectively.

Immediately after the acquisition, the Company increased its effective beneficial interests in Digital Extreme from 58% to 97%.

Details of the transaction was set out in the Company's announcement dated 22 May 2016.

25. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) 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.

(b) 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 Xinxin 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.



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25. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

(c) **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.

26. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 29 August 2016.

* For identification purpose only