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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2017	2016	Change
	(US$'000)	*(US$'000)*	*%*
		(Restated)	
From continuing operations			
Revenue	**166,736**	111,802	+49%
Gross Profit	**110,774**	72,571	+53%
Gross Profit Margin *(%)*	**66.4%**	64.9%	+1.5%
From continuing and discontinued operations			
Profit for the year attributable to the owners of the Company	**8,808**	8,132	+8%
Basic earnings per share *(US cents)*	**0.30**	0.28	+7%
Diluted earnings per share *(US cents)*	**0.30**	0.28	+7%
Dividend per share *(US$)*	**Nil**	Nil	N/A

BALANCE SHEET HIGHLIGHTS

	As at 31 December 2017 *(US$'000)*	As at 31 December 2016 *(US$'000)*	Change *%*
Total assets	**313,431**	219,524	+43%
Total borrowings*	**568**	42,500	-99%
Net assets	**225,994**	149,460	+51%
Net assets per share *(US$)*	**0.07**	0.05	+40%
Current ratio	**3.99**	3.85	+4%
Gearing ratio**	**0.2%**	19.4%	-19.2%

* *Total borrowings = Debenture + bond*

** *Gearing ratio = Total borrowings/Total assets*

The board (the "Board") of directors (the "Directors") of Leyou Technologies Holdings Limited (the "Company") announces the audited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000 (Restated)
Continuing operations			
Revenue	*4*	**166,736**	111,802
Cost of sales		**(55,962)**	(39,231)
Gross profit		**110,774**	72,571
Other revenue and gains	*5*	**611**	1,066
Net loss on financial assets at fair value through profit or loss	*9*	**(5,955)**	(3,864)
Impairment loss of available-for-sale financial assets		**–**	(1,164)
Loss on disposal of available-for-sale financial assets		**(2)**	(2,315)
Fair value change of contingent consideration payable	*15(a)*	**2,716**	–
Amortisation of intangible assets		**(20,364)**	(17,144)
Impairment of intangible assets		**(4,872)**	–
Selling and marketing expenses		**(11,958)**	(4,955)
Administrative expenses		**(28,914)**	(18,967)
Finance costs	*6*	**(3,371)**	(3,990)
Other operating expenses		**(1,042)**	(212)
Equity-settled share-based payment expenses		**(12,528)**	(1,927)
Profit before taxation	*9*	**25,095**	19,099
Taxation	*7*	**(13,823)**	(9,549)
Profit for the year from continuing operations		**11,272**	9,550
Discontinued operations			
(Loss)/profit for the year from discontinued operations	*8*	**(1,026)**	4,530
Profit for the year		**10,246**	14,080

	Notes	**2017**	2016
		US$'000	*US$'000*
			(Restated)
Profit/(loss) for the year attributable to:			
Owners of the Company			
– from continuing operations		**9,834**	3,781
– from discontinued operations		**(1,026)**	4,351
Non-controlling interests			
– from continuing operations		**1,438**	5,769
– from discontinued operations		**–**	179
		10,246	14,080
Earnings per share			
From continuing and discontinued operations			
Basic *(US cents per share)*	*11*	**0.30**	0.28
Diluted *(US cents per share)*	*11*	**0.30**	0.28
From continuing operations			
Basic *(US cents per share)*	*11*	**0.34**	0.13
Diluted *(US cents per share)*	*11*	**0.34**	0.13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **US$'000**	2016 US$'000 (Restated)
Profit for the year		**10,246**	14,080
Other comprehensive income/(loss) for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Loss on revaluation of available-for-sale financial assets during the year		**–**	(1,164)
Reclassification relating to fair value loss on available-for-sale financial assets		**–**	1,164
Exchange differences on translating foreign operations		**13,790**	3,169
Reclassification adjustments relating to foreign operations disposed of during the year	*8(d)*	**669**	(604)
Other comprehensive income for the year, net of income tax		**14,459**	2,565
Total comprehensive income for the year		**24,705**	16,645
Total comprehensive income for the year attributable to:			
Owners of the Company		**23,084**	7,781
Non-controlling interests		**1,621**	8,864
		24,705	16,645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 US$'000	2016 US$'000 (Restated)	2015 US$'000 (Restated)
Non-current assets				
Property, plant and equipment		**6,121**	2,205	57,502
Investment property		**–**	–	135
Prepaid lease payments		**–**	–	7,372
Prepayment for prepaid lease payments		**–**	–	3,857
Goodwill		**127,641**	27,443	26,566
Intangible assets		**57,913**	60,409	74,798
Development expenditure		**12,364**	624	416
Biological assets		**–**	–	839
Deferred tax assets		**–**	–	512
Available-for-sales financial assets		**8,100**	4,427	10,195
		212,139	95,108	182,192
Current assets				
Inventories		**285**	272	28,697
Biological assets		**–**	–	2,360
Trade receivables	*12*	**31,538**	13,733	17,476
Deposits paid, prepayments and other receivables		**19,450**	60,352	31,125
Financial assets at fair value through profit or loss		**1,900**	35,890	28,629
Prepaid lease payments		**–**	–	201
Tax recoverable		**2,221**	1,030	19,895
Pledged bank deposits		**–**	–	2,191
Cash and bank balances		**45,898**	13,139	20,042
		101,292	124,416	150,616

	Notes	2017 US$'000	2016 US$'000 (Restated)	2015 US$'000 (Restated)
Current liabilities				
Trade payables	*13*	**1,977**	270	10,483
Accruals, deposit received and other payables		**8,094**	7,659	15,471
Consideration payable		**6,407**	–	–
Bank borrowings		**–**	–	41,871
Deferred revenue		**8,898**	3,406	2,833
Tax payable		**–**	–	20,188
Bond		**–**	20,955	–
		25,376	32,290	90,846
Net current assets		**75,916**	92,126	59,770
Total assets less current liabilities		**288,055**	187,234	241,962
Equity				
Share capital	*14*	**39,597**	37,003	37,003
Reserves		**181,956**	109,107	140,592
Equity attributable to owners of the Company		**221,553**	146,110	177,595
Non-controlling interests		**4,441**	3,350	35,565
Total equity		**225,994**	149,460	213,160
Non-current liabilities				
Deferred tax liabilities		**13,495**	16,229	23,231
Deferred revenue		**1,640**	–	5,037
Consideration payable		**46,358**	–	–
Bond		**–**	20,993	–
Debenture		**568**	552	534
Total non-current liabilities		**62,061**	37,774	28,802
Total equity and non-current liabilities		**288,055**	187,234	241,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

Leyou Technologies Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 22 February 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Suite 3201, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong, respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements included the financial statements of the Company and its subsidiaries (collectively referred to as the "Group"). The consolidated financial statements are presented in United States Dollar ("US$") and all values are rounded to the nearest thousand (US$'000) except otherwise indicated.

Change in presentation currency

During the year ended 31 December 2017, the Company changed its presentation currency from Renminbi ("RMB") to US$. The Directors considered that the use of US$ was more meaningful in presenting the operating results and financial position of the Group given the operations of the Group and would result in a more appropriate presentation of the Group's transactions in these consolidated financial statements.

The change in presentation currency has been applied retrospectively. As a result, the comparative figures in these consolidated financial statements are translated from RMB to US$ using the applicable closing rates at the end of the relevant reporting periods for items in the consolidated statement of financial position, average rate for the relevant period for consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flow items and historical rates for the items in the consolidated statement of changes in equity.

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

In the current year, the Group has applied, for the first time, a number of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") (which included all HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. A summary of the new and revised HKFRSs are set out as below:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As Part of the Annual Improvement to HKFRSs 2014-2016 Cycle

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures[2]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[6]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] *Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.*

[2] *Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.*

[3] *Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided HKFRS 15 Revenue from Contracts with Customers is also applied.*

[4] *Effective for annual periods beginning on or after a date to be determined.*

[5] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

[6] *Effective for annual periods beginning on or after 1 January 2021.*

3. SEGMENT INFORMATION

During the year ended 31 December 2017, the Group operated in one operating segment which was the business of on-line game operation and retail game development. The segment of chicken meat, chicken breeds and animal feeds was discontinued during the year ended 31 December 2016. A single management team reported to the Directors (being the chief operating decision-maker) who comprehensively managed the entire business. Accordingly, the Group has not presented separate segment information.

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from continuing operation from external customers during the year and the Group's non-current assets. The geographical locations of the customers are determined based on the locations of the principal operations of the subsidiaries.

The Group's non-current assets included property, plant and equipment, goodwill, intangible assets, development expenditure and available-for-sale financial assets. The geographical location of property, plant and equipment is based on the physical location of the asset under consideration. In the case of goodwill, intangible assets, available-for-sale financial assets and development expenditure, they are based on the location of operations to which these assets are allocated.

Revenue from continuing operations from external customers

	2017	2016
	US$'000	*US$'000*
		(Restated)
Canada	**144,080**	111,802
United Kingdom ("UK")	**22,656**	–
	166,736	111,802

Non-current assets

	2017	2016
	US$'000	*US$'000*
		(Restated)
Canada	**80,496**	89,525
UK	**115,080**	–
The People's Republic of China ("PRC")	**115**	21
Hong Kong	**16,448**	5,562
	212,139	95,108

Other information

Revenue from major products

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

	2017	2016
	US$'000	*US$'000*
		(Restated)
Computer and video games	**166,736**	111,802

Information about major customers

Three individual customers each contributed over 10% of the total revenue of the Group from continuing operations during the year ended 31 December 2017 (2016: four).

Revenue from each of the three (2016: four) major customers with whom transactions amounted to 10% or more of the Group's revenue from continuing operations is set out below:

	2017	2016
	US$'000	*US$'000*
		(Restated)
Customer A[1]	**47,840**	36,539
Customer B[1]	**30,562**	25,551
Customer C[1]	**28,101**	23,611
Customer D[1, 2]	**–**	11,649

[1] *Revenue from game development and publishing*

[2] *No information on revenue for current year is disclosed for this customer since it did not contribute over 10% of the Group's revenue for the year ended 31 December 2017*

4. REVENUE

Continuing operations

	2017	2016
	US$'000	*US$'000*
		(Restated)
Game development and publishing	**146,162**	111,551
Work-for-hire	**19,470**	–
Game-hosting and support service	**787**	–
Sale of merchandise goods	**317**	251
	166,736	111,802

5. OTHER REVENUE AND GAINS

Continuing operations

	2017	2016
	US$'000	*US$'000*
		(Restated)
Interest income on:		
Bank deposits	**58**	56
Other receivables	**182**	839
Total interest income	**240**	895
Net exchange gain	**–**	171
Sundry income	**371**	–
	611	1,066

6. FINANCE COSTS

Continuing operations

	2017	2016
	US$'000	*US$'000*
		(Restated)
Interest on:		
Bank borrowings	**–**	190
Bond	**3,319**	3,750
Debenture	**52**	50
	3,371	3,990

7. TAXATION

Continuing operations

	2017	2016
	US$'000	*US$'000*
		(Restated)
Canada corporate income tax		
– current year	**20,605**	15,969
United Kingdom corporate income tax		
– current year	**(1,096)**	–
Deferred tax		
– current year	**(5,686)**	(6,420)
Income tax expense	**13,823**	9,549

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group was not subject to any income tax in the Cayman Islands and BVI during the reporting period (2016: Nil).

(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 (2016: Nil).

(c) Pursuant to the income tax rules and regulations of Canada, the companies comprising the Group in Canada were liable to Canada Corporate Income Tax ("CIT") at a tax rate of 26.5% for the years ended 31 December 2017 and 2016.

(d) Pursuant to the income tax rules and regulations of United Kingdom, the companies comprising the Group in United Kingdom were liable to United Kingdom CIT at a tax rate of 19% for the nine months ended 31 December 2017. The Group took advantage of the Video Games Tax Relief which was a tax relief of 25% of qualifying expenditure on qualifying video games as certified by the British Film Institute. Qualifying expenditure is 80% of development costs incurred within the European Economic Area.

8. DISCONTINUED OPERATIONS

On 20 September 2017, the Company disposed of its entire interest in Leyou World Limited and its subsidiary (collectively referred to as the "Leyou World Group") at a consideration of approximately US$11,836,000 (equivalent to HK$92,400,000). The operations of the Leyou World Group represented the PRC segments of the Group and the disposal of the business was treated as discontinued operations in these consolidated financial statements in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

On 30 September 2016, the Company disposed of its entire interest in Sumpo International Holdings Limited and its subsidiaries (collectively referred to as the "Sumpo Group"). The operations of the Sumpo Group represented the business segments of chicken meats, chicken breeds and animal feeds of the Group and the disposal of the business was treated as discontinued operations in these consolidated financial statements in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The comparative consolidated statement of profit or loss, profit/(loss) before taxation stated in these consolidated financial statements and the relevant disclosure notes for profit or loss items are re-presented for discontinued operations in the current year.

(Loss)/profit from the discontinued operations were as follows:

	2017	2016
	US$'000	*US$'000*
		(Restated)
(Loss)/profit for the year *(Note 8(a))*	**(40)**	2,951
(Loss)/gain on disposal of subsidiaries *(Note 8(d))*	**(986)**	1,579
(Loss)/profit from discontinued operations	**(1,026)**	4,530

(a) Analysis of the results of discontinued operations is as follows:

	2017
	Trading business
	US$'000
Revenue	**4,767**
Cost of sales	**(4,549)**
Gross profit	**218**
Administrative expenses	**(249)**
Loss before taxation	**(31)**
Taxation	**(9)**
Loss for the year	**(40)**
Loss attributable to owners of the Company	**(40)**
Basic	
Loss per share from discontinued operations *(US cents per share)*	**(0.04)**
Diluted	
Loss per share from discontinued operations *(US cents per share)*	**(0.04)**

	Poultry business US$'000	Trading business US$'000	2016 Total US$'000 (Restated)
Revenue	142,610	16,777	159,387
Cost of sales	(127,489)	(15,650)	(143,139)
Gross profit	15,121	1,127	16,248
Other revenue and gains	1,485	30	1,515
Net loss on financial assets at fair value through profit or loss	(1,655)	–	(1,655)
Fair value of agricultural produce on initial recognition	16,582	–	16,582
Reversal of fair value of agricultural produce due to hatch and disposals	(15,632)	–	(15,632)
Change in fair value less costs to sell of biological assets	612	–	612
Selling and marketing expenses	(4,337)	–	(4,337)
Administrative expenses	(5,133)	(706)	(5,839)
Finance cost	(1,632)	–	(1,632)
Other operating expenses	(2,656)	–	(2,656)
Profit before taxation	2,755	451	3,206
Taxation	(251)	(4)	(255)
Profit for the year	2,504	447	2,951
Profit attributable to:			
Owners of the Company	2,325	447	2,772
Non-controlling interests	179	–	179
	2,504	447	2,951
Basic			
Earnings per share from discontinued operations *(US cents per share)*			0.15
Diluted			
Earnings per share from discontinued operations *(US cents per share)*			0.15

(b) (Loss)/profit before taxation from discontinued operations has been arrived at after (crediting)/ charging the following:

	2017 Trading business *US$'000*
Staff cost	**114**
Operating lease rental expenses	**54**
Depreciation of property, plant and equipment	**8**

	Poultry business *US$'000*	Trading business *US$'000*	2016 Total *US$'000* (Restated)
(Gain)/loss on disposal of property, plant and equipment	(1)	6	5
Staff cost	2,576	205	2,781
Depreciation of investment property	4	–	4
Amortisation of prepaid lease payment	150	–	150
Depreciation of property, plant and equipment	3,074	12	3,086
Operating lease rental expenses	128	127	255
Research and development costs	714	–	714

(c) Analysis of the cash flows of discontinued operations is as follows:

	2017
	Trading business
	US$'000
Net cash outflow from operating activities and net decrease in cash and bank balances	**(71)**

	Poultry business	Trading business	2016 Total
	US$'000	*US$'000*	*US$'000*
			(Restated)
Net cash inflow/(outflow) from operating activities	251	(3,343)	(3,092)
Net cash inflow/(outflow) from investing activities	643	(11)	632
Net cash outflow from financing activities	(1,393)	(596)	(1,989)
Net decrease in cash and bank balances	(499)	(3,950)	(4,449)

(d) Disposal of subsidiaries

Analysis of assets and liabilities over which control was lost

	2017	2016
	US$'000	*US$'000*
		(Restated)
Net (liabilities)/assets disposed of		
Property, plant and equipment	**13**	51,890
Investment properties	**–**	129
Prepaid leases payments	**–**	7,301
Prepayment for prepaid lease payment	**–**	3,743
Biological assets	**–**	3,888
Deferred tax assets	**–**	500
Inventories	**–**	16,159
Trade receivables	**–**	5,724
Prepayment and other receivables	**12,156**	41,214
Financial assets at fair value through profit or loss	**–**	3,749
Pledged bank deposits *(Note 8(e))*	**–**	850
Cash and cash equivalents *(Note 8(e))*	**9**	2,145
Trade payables	**–**	(9,009)
Accruals, deposits received and other payables	**(25)**	(13,951)
Bank borrowing	**–**	(39,810)
Amount due to the Group	**(12,979)**	(36,315)
Deferred revenue	**–**	(4,742)
Tax payables	**–**	(63)
	(826)	33,402

(Loss)/gain on disposal of subsidiaries

Net liabilities/(assets) disposed of	**826**	(33,402)
Consideration	**11,836**	32,225
Cumulative exchange gain/(loss) in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	**(669)**	604
Waiver of amount due to the Group	**(12,979)**	–
Derecognition of non-controlling interest	**–**	2,152
	(986)	1,579

(e) Net cash inflow on disposal of subsidiaries

	2017	2016
	US$'000	*US$'000*
		(Restated)
Analysis of net cash flow in respect of the disposal of subsidiaries is as follows:		
Cash consideration received	**11,836**	32,225
Pledged bank deposits *(Note 8(d))*	**–**	(850)
Cash and cash equivalents disposed of *(Note 8(d))*	**(9)**	(2,145)
Total net cash inflow from disposal of subsidiaries	**11,827**	29,230

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

Continuing operations

	2017	2016
	US$'000	*US$'000*
		(Restated)
Staff costs including Directors' remuneration	**17,156**	18,442
Equity-settled share-based payment expenses	**12,528**	1,927
Retirement schemes benefits	**940**	467
Total staff costs	**30,624**	20,836
Depreciation of property, plant and equipment	**520**	784
Amortisation of intangible assets	**20,364**	17,144
Amortisation of development expenditure	**–**	437
Total depreciation and amortisation (including intangible assets)	**20,884**	18,365
Auditors' remuneration		
– Audit service	**218**	232
– Other service	**45**	77
Operating lease rental expenses	**2,737**	1,390
Loss on disposal of property, plant and equipment	**6**	–
Impairment of deposits paid, prepayments and other receivables	**954**	–

Net loss on financial assets at fair value through profit or loss:

Continuing operations

	2017	2016
	US$'000	*US$'000*
		(Restated)
Proceeds on sales	**8,414**	5,928
Less: Cost of sales	**(12,249)**	(8,945)
Net realised loss on financial assets at fair value through profit or loss	**(3,835)**	(3,017)
Unrealised loss on financial assets at fair value through profit or loss	**(2,120)**	(847)
Net loss on financial assets at fair value through profit and loss	**(5,955)**	(3,864)

10. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

11. EARNINGS PER SHARE

Continuing and discontinued operations

	2017	2016
	US$'000	*US$'000*
		(Restated)
Earnings		
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	**8,808**	8,132

Continuing operations

	2017	2016
	US$'000	*US$'000*
		(Restated)
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	**8,808**	8,132
Add/(less): Loss/(profit) for the year from discontinued operations	**1,026**	(4,351)
Profit for the purpose of basic earnings per share from continuing operations	**9,834**	3,781

For the year ended 31 December 2016, the effects of the Company's outstanding share options were anti-dilutive and therefore the diluted earnings per share were the same as the basic earnings per share.

Discontinued operations

For the year ended 31 December 2017, basic and diluted loss per share for discontinued operations attributable to the owners of the Company was US0.04 cents per share (2016: basic and diluted earnings per share of US0.15 cents per share), based on loss for the year of US$1,026,000 (2016: profit of US$4,351,000).

For the year ended 31 December 2016, the effects of the Company's outstanding share options were anti-dilutive and therefore the diluted earnings per share was the same as the basic earnings per share.

During the year ended 31 December 2017 and 2016, the weighted average number of ordinary shares used as denominator in calculating earnings/(loss) per share was as follows:

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,932,229**	2,868,480
Effect of dilutive potential ordinary shares:		
– Share options *(Note)*	**274**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,932,503**	2,868,480

Note:

The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options with the exercised price lower than the average market price during the year ended 31 December 2017 and with the adjustment for the share options lapsed or exercised.

12. TRADE RECEIVABLES

	2017	2016
	US$'000	*US$'000*
		(Restated)
Trade receivables	**31,538**	13,733
Less: Impairment loss recognised	**–**	–
	31,538	13,733

The Group normally allows a credit period ranging from 7 to 60 days. The ageing analysis of trade receivable, based on invoice date, net of impairment is as follows:

	2017	2016
	US$'000	*US$'000*
		(Restated)
Within 30 days	**29,786**	12,180
31 days to 60 days	**374**	1,501
61 days to 180 days	**110**	32
Over 180 days	**1,268**	20
	31,538	13,733

13. TRADE PAYABLES

	2017	2016
	US$'000	*US$'000*
		(Restated)
Trade payables	**1,977**	270

The ageing analysis of trade payables is as follows:

	2017	2016
	US$'000	*US$'000*
		(Restated)
Within 30 days	**1,591**	198
31 to 90 days	**286**	71
91 to 180 days	**100**	–
Over 180 days	**–**	1
	1,977	270

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

14. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		HK$'000	*US$'000*
Authorised:			
As at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017 ordinary shares of HK$0.1 each	4,000,000,000	400,000	51,600
Issued and fully paid:			
As at 1 January 2016, 31 December 2016 and 1 January 2017 ordinary shares of HK$0.1 each (Restated)	2,868,480,000	286,848	37,003
Issue of shares on exercise of share options *(Note (a))*	56,200,000	5,620	722
Issue of shares by placing *(Note (b))*	146,230,000	14,623	1,872
Balance as at 31 December 2017	**3,070,910,000**	**307,091**	**39,597**

Notes:

(a) During the year ended 31 December 2017, the Company issued 56,200,000 (2016: Nil) shares of the Company for proceeds of US$8,660,000 (2016: Nil), as a result of exercise of share options with the weighted average exercise price of US$0.15 (equivalent to HK$1.20) per share. Among the proceeds of US$8,660,000 (2016: Nil), US$722,000 (2016: Nil) were credited to the share capital account and the balance of US$7,938,000 (2016: Nil) were credited to the share premium account during the year.

(b) On 24 October 2017, the Company placed and issued 146,230,000 new ordinary shares under placing and at the placing price of US$0.22 (equivalent to HK$1.7) per share. Among the gross proceeds of US$31,820,000, US$1,872,000 and US$29,948,000 were credited to the share capital account and share premium account, respectively, while the transaction costs from the issue of shares by placing of US$649,000 were charged to the share premium account. The net proceeds of US$31,171,000 (equivalent to HK$243,000,000) were utilised by the Group as its general working capital.

15. ACQUISITION OF SUBSIDIARIES AND AFFILIATE

(a) Splash Damage Limited, Fireteam Limited and Warchest Limited (collectively named as "Splash Damage Group")

On 1 July 2016, Radius Maxima Limited ("Radius Maxima"), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement and a supplemental agreement in relation to the acquisition of the entire equity interest of Splash Damage Group from Paul Wedgwood. Further details of the said transaction were set out in the announcements of the Company dated 3 July 2016 and 26 September 2016, respectively, and the circular of the Company dated 22 February 2017. The said acquisition was duly approved by the shareholders of the Company in an extraordinary general meeting on 9 March 2017. This transaction was completed on 31 March 2017, and accordingly, Splash Damage Group had since then become wholly-owned subsidiaries of Raduis Maxima. Further details of the said transaction were set out in the announcement of the Company dated 31 March 2017.

The purchase consideration of US$109,100,000 was comprised of advance payment and deferred payment in a total amount of US$45,000,000, adjustment payment of US$9,502,000 and earn-out consideration of US$54,598,000. The earn-out consideration consisted of the payments during the years ending 2017, 2018 and 2019, and shall not exceed US$105,000,000. As at 31 December 2017, a total of US$53,619,000 has been paid as purchase consideration.

The net assets acquired in the transaction and the goodwill arising therefrom, are as follow:

	Fair value recognised on acquisition *US$'000*
Net assets acquired:	
Property, plant and equipment	**126**
Intangible assets	**14,126**
Trade receivables	**3,555**
Deposits paid, prepayments and other receivables	**1,307**
Amount due from a related party	**1**
Tax recoverable	**2,352**
Cash and bank balances	**8,009**
Trade payables	**(146)**
Accruals and other payables	**(9,432)**
Tax payable	**(273)**
Bank borrowings	**(5)**
Deferred tax liabilities	**(1,836)**
	17,784
Goodwill arising on acquisition	**91,316**
Total consideration	**109,100**
Satisfied by:	
Cash	**53,619**
Consideration payable *(Note)*	**883**
Contingent consideration payable *(Note)*	**54,598**
	109,100
Net cash outflow arising on acquisition:	
Consideration paid in cash	**(53,619)**
Less: Cash and bank balances acquired	**8,009**
	(45,610)

Acquisition-related costs of US$3,468,000 have been charged to administrative expenses in the consolidated statement of profit or loss during the year ended 31 December 2017.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

Since the acquisition, Splash Damage Group contributed US$22,656,000 to the Group's revenue and profit of US$6,598,000 to the consolidated profits for the year ended 31 December 2017.

Had the acquisition of Splash Damage Group taken place at 1 January 2017, the Group's revenue for the year ended 31 December 2017 would have been US$28,126,000 and the consolidated profit for the year would have been US$9,202,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2017, nor is it intended to be a projection of future results.

In determining the pro forma revenue and profit of the Group assuming that Splash Damage Group had been acquired at the beginning of the year, the Directors have calculated depreciation of property, plant and equipment and amortisation of intangible assets on the basis of the fair values arising in the initial accounting for the business rather than the carrying amounts recognised in the pre-acquisition financial statements.

Note:

Consideration payable are unsecured and interest-free.

Consideration payable as at 31 December 2017 amounted to US$52,765,000 (31 March 2017: US$55,481,000), of which US$883,000 (31 March 2017: US$883,000) was initial consideration payable, US$51,882,000 (31 March 2017: US$54,598,000) was the earn-out. During the year ended 31 December 2017, a gain on change in fair value of contingent consideration payable amounting to US$2,716,000 was recognised in profit or loss. The earn-out is contingent consideration that would be payable if Splash Damage Group achieve the respective base year profit target, calculated on a predetermined basis, during the designated periods of time.

The fair value of contingent consideration payable as at the acquisition date and as at 31 December 2017 are based on the valuation performed by an independent professional valuer not connected with the Group.

(b) Guangzhou Radiance Software Technology Co. Ltd*（廣州榮端軟件科技有限公司）(“Guangzhou Radiance”)

On 31 July 2017, the Company entered into an investment agreement with Guangzhou Radiance and the sole shareholder of Guangzhou Radiance, pursuant to which the Company conditionally agreed to designate a wholly-owned foreign enterprise to be established in the PRC by the Company (the "PRC Subsidiary") to invest an amount of RMB equivalent to US$1 million for the equity interest in Guangzhou Radiance. Further details of the said transaction were set out in the announcement of the Company dated 31 July 2017. The transaction was completed on 31 October 2017, and accordingly, the PRC Subsidiary held 51% of the entire issued share capital of Guangzhou Radiance as enlarged by the transaction and Guangzhou Radiance had become an indirect non-wholly-owned subsidiary of the Company.

* *For identification purpose only*

The net assets acquired in the transaction and the goodwill arising therefrom, are as follow:

	Fair value recognised on acquisition *US$'000*
Net assets acquired:	
Property, plant and equipment	**77**
Deposits paid, prepayments and other receivables	**82**
Amount due from a related party	**3**
Cash and bank balances	**1,206**
Accruals and other payables	**(147)**
Tax payable	**(12)**
	1,209
Non-controlling interests	**(592)**
Goodwill arising on acquisition	**383**
Total consideration	**1,000**
Satisfied by:	
Cash	**1,000**
Net cash inflow arising on acquisition:	
Consideration paid in cash	**(1,000)**
Less: Cash and bank balances acquired	**1,206**
	206

Acquisition-related costs of US$23,000 have been charged to administrative expenses in the consolidated statement of profit or loss during the year ended 31 December 2017.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

Since the acquisition, Guangzhou Radiance contributed US$396,000 to the Group's revenue and loss of US$366,000 to the consolidated profit for the year ended 31 December 2017.

Had the acquisition of Guangzhou Radiance taken place at 1 January 2017, the Group's revenue for the year ended 31 December 2017 would have been US$1,824,000 and the consolidated profit for the year would have been US$101,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2017, nor is it intended to be a projection of future results.

In determining the pro forma revenue and profit of the Group assuming that Guangzhou Radiance had been acquired at the beginning of the year, the Directors have calculated depreciation of property, plant and equipment on the basis of the fair values arising in the initial accounting for the business rather than the carrying amounts recognised in the pre-acquisition financial statements.

(c) Acquisition of 20% of the Issued Share Capital of Certain Affinity, LLC ("Certain Affinity") and the Entering of a Game Development Agreement

Certain Affinity is a limited liability company organised under the laws of the State of Texas, the United States of America and principally engaged in the development of licensed games (including associated computer software product and add-ons).

On 15 October 2017, the Company and Certain Affinity entered into (i) the sale and purchase agreement pursuant to which the Company agreed to purchase series A preferred stock representing 20% of the issued share capital of Certain Affinity at a total consideration of US$10 million ("Sale and purchase agreement in Certain Affinity"); and (ii) the game development agreement pursuant to which Certain Affinity shall, under the direction of, and with input and cooperation from the Company, develop and produce for the Company the game based on certain intellectual property. The transaction was completed on 30 October 2017. At 31 December 2017, the consideration comprising of available-for-sale financial assets and financial assets at fair value through profit or loss amounted to US$8,100,000 and US$1,900,000 respectively.

Further details of the said transaction were set out in the announcement of the Company dated 16 October 2017.

16. EVENT AFTER THE REPORTING PERIOD

Acquisition of listed securities

On 18 January 2018, the Company and an independent third party (the "Vendor") entered into a sale and purchase agreement pursuant to which the Company acquired from the Vendor 188,679,245 shares in Freeman Fintech Corporation Limited ("Freeman Fintech") (Stock Code: 279) for an aggregate consideration of approximately US$12,821,000 (equivalent to HK$100,000,000) (excluding stamp duty and related expenses).

On 2 February 2018, the Company and the Vendor entered into a further sale and purchase agreement pursuant to which the Company acquired from the Vendor a further 93,457,943 shares in Freeman Fintech for an aggregate consideration of approximately US$12,821,000 (equivalent to HK$100,000,000) (excluding stamp duty and related expenses).

Further details of the acquisition of listed securities were set out in the announcement of the Company dated 2 February 2018.

17. COMPARATIVES

The comparative consolidated statement of profit or loss has been re-presented as the PRC segments were discontinued during the current year. Certain comparative amounts have been reclassified to conform to the current year's presentation. In the opinion of the Directors, such reclassification provides a more appropriate presentation of the Group's business segments.

As further explained in note 1, due to the voluntary change in presentation currency during the reporting period, certain adjustments of prior year have been made, and certain comparative amounts have been restated to conform with the current year's presentation and disclosures and accounting treatment, and a third consolidated statement of financial position as at 31 December 2015 has been presented.

BUSINESS OVERVIEW

The Group is primarily engaged in the development and publishing of high-quality PC/console online video games. The total revenue from continuing operations of the Group for the year ended 31 December 2017 was US$167 million, representing a year-on-year growth of 49%. Being the major driver for such growth, the revenue generated from the game development and publishing business for the year ended 31 December 2017 amounted to US$146 million (2016: US$112 million), which accounted for 87% of the Group's total revenue (2016: 99%). The Group is in a rapid expansion phase with the development of multiple online game products being underway. The Group is currently publishing several game titles worldwide, including Warframe and Dirty Bomb.

Revenue generated from work-for-hire and other business for the year ended 31 December 2017 was US$20 million (2016: Nil) and US$1 million (2016: US$0.3 million), which accounted for 12% and 1% of the total revenue respectively.

Market Observation and Core Strategy

According to the report issued by market research firm Newzoo, the global games market generated US$116 billion in game software revenue in 2017, representing a growth of 10.7% compared to 2016, 56% of which was from the PC and console segment. Based on the aforesaid report, it is expected that the current growth of the global games market will continue with a Compound Annual Growth Rate ("CAGR") of 8.2% to reach revenues of US$143.5 billion in 2020.

In recent years, the Company has noticed the growing trend of the mobile gaming market starting to slow down and the provision of game content beginning to become saturated. This was due to the combined effects of the slowdown of growth in user and active device numbers after the exponential increase during the last decade and the overheated competition within this segment. Gamers gradually turned to products with higher quality, bigger screen and better immersive game experience, leading the industry to that direction as well.

Meanwhile, multiplayer online games and the introduction of multiplayer mode into traditional single-player games have become the most important niche markets. As evidenced by the notable expansion of the market size, an increasing number of AAA console games incorporate long-term progression model, social functions and in-game item purchases etc. Games that support interaction among gamers enjoy far higher user satisfaction and loyalty than those that only allow human-computer interaction.

Moreover, free-to-play online games with micro-transactions have dominated the world's mobile gaming market as well as the regional PC gaming markets in China and South Korea, which have demonstrated the superiority and universality of this business model. Game developers and publishers are increasingly aware that the model of maintaining live interaction with gamers and continuously providing game content via regular updates (i.e "Game as a Service") ("GaaS") is more effective than the traditional premium sales model. On the other hand, with regard to big screen video games, free-to-play games took up only a small proportion of the major regional markets across the world except for certain parts of Asia, especially on consoles.

Based on the understanding and foregoing analysis of the current gaming market, we will mainly focus on the development and publishing of high-quality online games and generally adopt a GaaS monetisation method.

Game Development and Publishing

The table below set forth the key operating data of the Group's game products:

	Year ended 31 December		
	2017	2016	Change
	(in thousands, unless otherwise stated)		
Total Registered Users	**45,588**	28,206	+61.6%

Warframe

Warframe is a free-to-play science fiction-themed multiplayer third-person shooter game available on PC and consoles (both PlayStation 4 and Xbox One). The game was developed and published by Digital Extremes and adopts a free-to-play model. It was first launched in March 2013 and has always been a most played and popular game among users. Warframe has ranked among the top 3 most popular free-to-play games and top 10 most-played games overall in terms of number of players on Steam and received over 90% positive reviews from players. It is also the number one free-to-play game in terms of revenue on PlayStation 4 and Xbox One. The long-term success of Warframe is attributable to the unique and effective development and publishing capability of the Group for free-to-play games, which provides regular updates of premium game content for all platforms across the world, offers premium customer service, helps build a cohesive gamer community and facilitates communication between gamers and the development team through online and offline interaction.

During the reporting period, Warframe released the Plains of Eidolon update, a brand new open world map with Massively Multiplayer Online ("MMO") element. This has caused a sensation in the gamer community, and made Warframe hit new record high on most of its operating data such as monthly revenue, Monthly Active Users ("MAU"), Daily Active Users ("DAU") and concurrent users. The average MAU from October to December 2017 was 44.7% higher than that of the first nine months of 2017. Warframe ranked No. 4 among all games on Steam in November 2017 in terms of total players, being a new record in its history, only to follow PLAYERUNKNOWN'S BATTLEGROUNDS, Dota 2 and Counter-Strike: Global Offensive. In addition, Warframe won multiple awards and nominations for the year, including Platinum Top Sellers on Steam, one of the 12 best-selling games (being one of the two free-to-play games on the list alongside with Dota 2), the Labor of Love 2017 Steam Award voted by gamers, and nomination for The Games Awards.

Following its tremendous success in 2017, Warframe continues to evolve with big plans for 2018. The game will see another open world expansion in 2018, that adds to the most popular update to date, the Plains of Eidolon. Another huge content update will be revealed in July 2018 at TennoCon, the annual Warframe-themed event that draws thousands of fans from throughout the globe coming together to celebrate everything of Warframe for a day of interactive activities, developer panels and more. The day culminates in a livestream broadcast on twitch.tv reaching millions of fans anticipating the next big evolution planned for Warframe. The Plains of Eidolon was revealed at TennoCon 2017, released in October 2017 and became one of Warframe's most successful updates. The reveal in 2018 is expected to be equally exciting to players. With additional updates to be shipped in 2018, the Company believes the game will continue attracting global gamers and its upward growth trend. Beyond the game itself, we have started to extend the intellectual property value of Warframe to other mediums with comic books as the first step. Started in 2017, Volume 1 is nearing completion with its fifth comic book in the series to be released in 2018. As this strategy proves successful, more mediums will be explored to continue to build value in the Warframe brand.

Dirty Bomb

Dirty Bomb is a fast-paced first-person shooter game developed and published by Splash Damage Group which launched in June 2015 on Steam as a free-to-play game. Dirty Bomb has ranked among the top 20 among all free-to-play games on Steam, and has received over 80% positive reviews from gamers. Since the completion of the acquisition of Splash Damage Group, the Company noted that the monetisation has been dramatically improved, with average monthly revenue, average revenue per paid user ("ARPPU"), average revenue per monthly active user ("ARPMAU") and conversion for the last nine months of 2017 increasing significantly by 72.4%, 26.3%, 76.2% and 43.1% respectively, compared to those of last twelve months.

Work-for-hire and Other Business

As at 31 December 2017, the Group had a number of backlog orders for work-for-hire. Such orders will continue to bring fixed cash income and certain orders contain profit sharing provisions that may potentially deliver more revenue in the future. Our other business mainly represented the sale of merchandise.

New Product Pipeline

Guided by the new board, the Group has set up a highly experienced game design team, which has been responsible for working with and providing guidance to internal studios and third party developers and controlling the development of new game products.

The Group has established a strong product pipeline including:

– Survived by, a pixel-style free-to-play action MMO, which was in close alpha stage as at 31 December 2017 and is expected to be launched in the second quarter of 2018;

– Civilization Online, an MMO with an exclusive license granted by Take Two, being developed by Guangzhou Radiance, who will be entitled to receive developer royalty after the launch of the game; and

– Transformers Online, an online game being developed by Certain Affinity with the license granted by Hasbro.

Besides, the Group has multiple unannounced new products in development stages, which are in good progress and are expected to be launched around the end of 2018 or the early of 2019. They are expected to lay a solid foundation for future revenue growth of the Group for next few years. Also, Splash Damage, one of the Group's main studios, announced a co-operation with Wargaming.net, makers of the worldwide hit World of Tanks, in July 2017 and it is expected that more information about this exciting collaboration will be released in 2018.

Publishing and Marketing

During the reporting period, the Group strived to improve intra-group cooperation and synergies and to achieve an effective global deployment in terms of publishing and marketing. The Group has established publishing and marketing arms in the United States of America ("US"), Canada, UK and China, and has been developing a group-wide proprietary publishing platform, to better serve the publishing of the Group's in-development game products in the future.

Meanwhile, the Group started to adopt a more proactive strategy on marketing, which was very well received by the market and helped increase our revenue substantially. Warframe's co-operation with Twitch to promote their Twitch Prime initiative was a very good example of our further improved marketing efforts.

Acquisitions and Investments

During the reporting period, the Group mainly completed the following transactions:

– Acquisition of Splash Damage Group, a AAA video game developer based in the UK and known for being a co-developer of AAA titles such as Wolfenstein: Enemy Territory, Enemy Territory: Quake Wars and Gears of War 4;

– Acquisition of 51% of the shares of Guangzhou Radiance, an online game developer in the PRC who has been exclusively licensed by Take Two to develop Civilization Online; and

– Acquisition of 20% shares of Certain Affinity, an AAA video game developer based in the US and known as co-developer of AAA titles such as Call of Duty, Halo and DOOM.

These acquisitions and investments have improved the development capability of the Group and rapidly expanded its team size. In the future, the Group will keep on exploring opportunities of working with independent game studios with strong development capability and/or original Intellectual Properties ("IPs") and globally renowned large game publishers, whether by way of acquisition, investment or joint venture etc. Combined with Leyou's expertise and competitive advantages in free-to-play online games, the Company believes that such cooperation will constantly improve the development and publishing capability of the Group.

Memorandum of Understanding in relation to a Proposed Acquisition

On 14 July 2017, the Company entered into a Memorandum of Understanding ("MOU") with an independent third party ("the Vendor") in relation to a proposed purchase of the shares ("Sale Shares") in a holding company ("Target Company") which operates social casual games business through its subsidiaries ("Proposed Acquisition"). The Sale Shares represent all or part of a minority shareholding of the Target Company owned by the Vendor.

Pursuant to the MOU, the Vendor will obtain the necessary approval for the sale of the Sale Shares ("Approvals") as soon as practicable. Upon such approvals being obtained, the parties shall negotiate and agree on the terms of the proposed transaction (such as the exact number of the Sale Shares, the consideration, mode of payment, profit guarantee) during a period of 6 months thereafter ("Exclusivity Period").

Up to the date of this results announcement, the Vendor has not yet obtained the Approvals and the Exclusivity Period has not commenced yet. The MOU is still subsisting and the Company will make further announcement(s) to keep shareholders and potential investors of the Company informed of new development regarding the Proposed Acquisition as and when appropriate.

Details of the MOU are set out in the announcement of the Company dated 14 July 2017.

Fund Raising Activities and Use of Proceeds

On 29 September 2017, the Company entered into a placing agreement to place up to 146,230,000 ordinary shares of HK$0.1 each at a placing price of HK$1.70 per placing share. The closing price of the shares of the Company on the date of the placing agreement was HK$1.87. The placing was completed on 24 October 2017 and a total of 146,230,000 ordinary shares with nominal value of HK$14,623,000 were issued to not less than six independent placees at a net price of HK$1.66 per placing share with aggregate net proceeds of US$31,171,000 (equivalent to approximately HK$243,000,000). The Directors consider that the placing provides a good opportunity to broaden the Company's shareholder base and funding channels.

Details of the intended and actual usage of the proceeds from the placing are as follows:–

Date of announcements	Event	Net proceeds	Intended use of net proceeds	Actual use of net proceeds as at the date of this announcement
29 September 2017 and 24 October 2017	Placing of 146,230,000 Shares	US$31,171,000 (equivalent to approximately HK$243,000,000)	General working capital	(i) US$10,000,000 (equivalent to approximately HK$78,000,000) had been used for the acquisition of 20% interest in Certain Affinity, LLC, (details of which are set out in the announcement of the Company dated 16 October 2017) (ii) US$9,768,000 (equivalent to approximately HK$76,190,000) had been used as general working capital

The Company intends to apply the remaining balance of US$11,403,000 from the placing (equivalent to approximately HK$88,810,000) as general working capital as previously disclosed.

Material Acquisitions and Disposal of Subsidiaries and Affiliate

1. The Acquisition of Splash Damage Group

Splash Damage Group is a gaming studio with world-class game development capability. It is principally engaged in the entrusted game development business, self-owned IP game business and game service platform business. The Company acquired all the issued share capital of Splash Damage Group, comprising of Splash Damage Limited, Fireteam Limited and Warchest Limited, and the transaction was completed on 31 March 2017. Splash Damage Group had since then become indirectly wholly-owned subsidiaries of the Company.

Further details of the Acquisition of Splash Damage Group were set out in the announcements of the Company dated 3 July 2016, 29 July 2016, 5 August 2016, 29 August 2016, 26 September 2016 and 31 March 2017, and the circular of the Company dated 22 February 2017.

2. *Entering into an Investment Agreement with Guangzhou Radiance Software Technology Co. Ltd. ("Guangzhou Radiance")*

Guangzhou Radiance is a company incorporated in the PRC principally engaged in the development of computer software and online game. Guangzhou Radiance has been exclusively licensed by Take Two International GmbH ("Take Two") to develop a massively multiplayer online game named "Civilization Online" ("Civilization Online") in consideration of the license fee payable by Guangzhou Radiance to Take Two. Guangzhou Radiance will be entitled to receive developer royalty in the form of profit sharing upon the launch of the game subject to the terms of the development agreement made with Take Two.

On 31 July 2017, the Company entered into an investment agreement with Guangzhou Radiance and the sole shareholder of Guangzhou Radiance, pursuant to which the Company conditionally agreed to designate a wholly-owned foreign enterprise to be established in the PRC by the Company (the "PRC Subsidiary") to invest an amount of RMB equivalent to US$1 million for the equity interest in Guangzhou Radiance. The transaction was completed on 31 October 2017, and accordingly, the PRC Subsidiary held 51% of the entire issued share capital of Guangzhou Radiance as enlarged by the transaction and Guangzhou Radiance had become an indirect non-wholly-owned subsidiary of the Company.

Further details of the said transaction were set out in the announcement of the Company dated 31 July 2017.

3. *Acquisition of 20% of the Issued Share Capital of Certain Affinity, LLC ("Certain Affinity") and the Entering of a Game Development Agreement*

Certain Affinity is a limited liability company organised under the laws of the State of Texas, the US and principally engaged in the development of licensed games (including associated computer software product and add-ons).

On 15 October 2017, the Company and Certain Affinity entered into (i) the sale and purchase agreement pursuant to which the Company agreed to purchase series A preferred stock representing 20% of the issued share capital of Certain Affinity at a total consideration of US$10 million ("Sale and purchase agreement in Certain Affinity"); and (ii) the game development agreement pursuant to which Certain Affinity shall, under the direction of, and with input and cooperation from the Company, develop and produce for the Company the game based on certain intellectual property. The transaction was completed on 30 October 2017. At 31 December 2017, the consideration comprising of available-for-sale financial assets and financial assets at fair value through profit or loss amounted to US$8,100,000 and US$1,900,000 respectively.

Further details of the said transaction were set out in the announcement of the Company dated 16 October 2017.

4. *Disposal of the Entire Issued Share Capital of Leyou World Group*

Leyou World is a company incorporated in Hong Kong with limited liability and its principal activity is investment holding. The principal activities of the Disposal Group are engaged in the trading of electronic products in the People's Republic of China.

On 18 August 2017, the Company entered into an agreement with the purchaser, China RS Group Limited (the "Purchaser"), pursuant to which the Company sold to the Purchaser the Company's entire interest in Leyou World Limited and its subsidiary (collectively referred to as the "Leyou World Group") at a consideration of approximately US$11,836,000 (equivalent to HK$92,400,000). The transaction was completed on 20 September 2017.

Further details of the said transaction were set out in the announcement of the Company dated 18 August 2017.

Environmental, Social and Governance

For the year ended 31 December 2017, the Group has made continuous efforts and investment in minimising risks associated with environmental, social and governance ("ESG") factors, improving employee well-being and contributing back to the community. No non-compliance in relation to ESG aspects was recorded. Engagement with internal and external stakeholders has resulted in raised concerns on material issues, which included: employment, development and training, intellectual property rights, consumer data protection, and anti-corruption. These aspects had been strictly managed by the Group. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing its ESG management.

Recognitions in the Capital Market and the Company was Included in the List of Shenzhen – Hong Kong Stock Connect

Following the inclusion of the Company as a constituent stock of Morgan Stanley Capital International Small-Cap Index, the Company was recently selected as a constituent of the Hang Seng Internet & Information Technology Index, the Hang Seng Composite MidCap & SmallCap Index and the Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index, and on 5 March 2018, the Company was included in the list of eligible stocks for trading in the Shenzhen-Hong Kong Stock Connect, reflecting the increasing recognition of the Company in the capital market.

Event after the Reporting Period

Acquisition of Listed Securities

On 18 January 2018, the Company and an independent third party (the "Vendor") entered into a sale and purchase agreement pursuant to which the Company acquired from the Vendor 188,679,245 shares in Freeman Fintech for an aggregate consideration of approximately US$12,821,000 (equivalent to HK$100,000,000) (excluding stamp duty and related expenses).

On 2 February 2018, the Company and the Vendor entered into a further sale and purchase agreement pursuant to which the Company acquired from the Vendor a further 93,457,943 shares in Freeman Fintech for an aggregate consideration of approximately US$12,821,000 (equivalent to HK$100,000,000) (excluding stamp duty and related expenses).

The Company considers the Acquisition of Listed Securities to be in the interest of the Company for the reasons that :–

(i) as the Company wishes to explore the prospects of expanding into electronic financial services to facilitate in-game purchases, should the Company subsequently decide to commence electronic financial services operation, the Acquisition of Listed Securities would facilitate the establishment of a business relationship between the Company and Freeman Fintech; and

(ii) the Group can leverage Freeman Fintech's extensive network in capital markets in order to optimise the Company's shareholder base, enhance investor relations or even bring attractive merger and acquisition opportunities.

In light of the aforesaid, together with the Company's interest in exploring the field of electronic financial services, the Company considers that the expected benefits of the Acquisition of Listed Securities justify an adjustment to the Company's strategy in respect of financial investment. Should attractive and suitable investment opportunities arise in the future, the Company may consider making further investments in a similar manner.

Further details of the acquisition of listed securities were set out in the announcement of the Company dated 2 February 2018.

Outlook

The Company is pleased with the substantial uptick in the market's interest in PC/console games which coincides with the Company's core strategic focus. Being one of the earliest to have identified the business opportunity and succeeded in the global market with free-to-play games, the Group will continue to focus on developing and publishing high quality PC/console games and provide best game experience with GaaS model. We are confident that with the Group's existing product portfolio maintaining a healthy growth and new games being developed smoothly the earnings of the Group will improve in the coming years and the Company will create more values for its shareholders.

FINANCIAL REVIEW

Change in Presentation Currency

During the year ended 31 December 2017, the Group changed its presentation currency from RMB to US$ for the preparation of its consolidated financial statements. The Directors considered that the use of US$ was more meaningful in presenting the operating results and financial position of the Group given the operations of the Group and would result in a more appropriate presentation of the Group's transactions in these consolidated financial statements.

Continuing Operations – Computer and Video Gaming Business

Revenue

Our total revenue increased significantly by 49%, from US$112 million for the year ended 31 December 2016 to US$167 million for year ended 31 December 2017, primarily due to the continuing growth of the Group's flagship product Warframe and the contribution from Splash Damage Group, another world-class video gaming studio in the UK which was acquired by the Group on 31 March 2017.

Revenue by nature of business

The following table sets out the breakdown of the Group's revenue by nature of business for the years ended 31 December 2017 and 2016, respectively:

	Year ended 31 December	
	2017	2016
	US$'000	*US$'000*
		(Restated)
Game development and publishing	**146,162**	111,551
Work-for-hire	**19,470**	–
Game-hosting and support service	**787**	–
Sale of merchandise goods	**317**	251
	166,736	111,802

Revenue by geographical market

The following table sets forth a breakdown of the Group's revenue by geographical market based on the locations of the principal operations of the subsidiaries for the years ended 31 December 2017 and 2016, respectively:

	Year ended 31 December	
	2017	2016
	US$'000	*US$'000*
		(Restated)
Canada	**144,080**	111,802
UK	**22,656**	–
	166,736	111,802

Gross Profit

Our total gross profit increased by 53%, from US$73 million for the year ended 31 December 2016 to US$111 million for the year ended 31 December 2017, primarily due to the steady growth of the gaming business.

The gross profit margin slightly increased from 64.9% for the year ended 31 December 2016 to 66.4% for the year ended 31 December 2017, primarily due to the economies of scales upon the steady growth of the gaming business.

Other Revenue and Gains

Other revenue and gains decreased by 43%, from US$1.1 million for the year ended 31 December 2016 to US$0.6 million for the year ended 31 December 2017, primarily due to the decrease in interest income on other receivables by US$0.7 million.

Selling and Marketing Expenses

Selling and marketing expenses increased by 141%, from US$5 million for the year ended 31 December 2016 to US$12 million for the year ended 31 December 2017, which was mainly driven by the increased marketing activities to further promote the brand awareness of Warframe and Dirty Bomb, as well as the selling and marketing expenses attributable to the Group subsequent to the Acquisition of Splash Damage Group. The increase in selling and marketing expenses was in line with the steady revenue growth of our gaming business.

Administrative Expenses

Administrative expenses increased by 52%, from US$19 million for the year ended 31 December 2016 to US$29 million for the year ended 31 December 2017, primarily due to the legal and professional fees of the Acquisition of Splash Damage Group which amounted to US$3.5 million, as well as the administrative expenses attributable to the Group subsequent to the Acquisition of Splash Damage Group.

Amortisation of Intangible Assets

Amortisation of intangible assets increased by 19%, from US$17 million for the year ended 31 December 2016 to US$20 million for the year ended 31 December 2017, primarily as a result of the increased amortisation of intangible assets since the Acquisition of Splash Damage Group.

Impairment of Intangible Assets

Impairment of intangible assets for the year ended 31 December 2017 amounted to US$5 million (2016: Nil), which was mainly due to the underperformance of a developed game.

Finance Costs

Finance costs decreased by 16%, from US$4 million for the year ended 31 December 2016 to US$3 million for the year ended 31 December 2017, primarily as a result of the repayment of the fixed coupon redeemable bond which was issued on 6 May 2016, with the principal amount of US$42 million, in full during the Reporting Period.

Equity-settled Share-based Payment Expenses

Equity-settled share-based payment expenses increased by 5.5 times, from US$2 million for the year ended 31 December 2016 to US$13 million for the year ended 31 December 2017, primarily as the Company granted 277,844,600 share options under the 2017 Share Option Scheme during the Reporting Period.

Taxation

Taxation increased by 45%, from US$10 million for the year ended 31 December 2016 to US$14 million for the year ended 31 December 2017. It was in line with the steady growth of the gaming business in Canada.

Discontinued Operations – Poultry and Trading Business

Revenue, gross profit and net loss from Trading Business for the year ended 31 December 2017 were US$5 million and US$0.2 million and US$0.04 million, respectively. The disposal of Trading Business was completed on 20 September 2017.

Revenue, gross profit and net profit from Poultry Business and Trading Business for the year ended 31 December 2016 were US$159 million, US$16 million and US$3 million, respectively. The disposal of Poultry Business was completed on 30 September 2016.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group generally finances its operations with internally generated cash flow and proceeds from placing of new shares and debt financing activities for its capital requirements. All financing methods will be considered as long as such methods are suitable and beneficial to the Group.

As at 31 December 2017, cash and bank balances amounted to US$46 million (31 December 2016: US$13 million), which were denominated in United States Dollars ("US$"), Canadian Dollars ("CAD"), British Pound ("GBP"), RMB and Hong Kong dollars. The increase in cash and bank balances was mainly due to the free cash flow generation and the proceeds from the placing of new shares, partly offset by the repayment of the interest-bearing borrowings.

Interest-bearing Borrowings

As at 31 December 2017, the total amount of interest-bearing borrowings was US$0.6 million (31 December 2016: US$42.5 million). The decrease in interest-bearing borrowings was mainly due to the repayment of the Group's interest-bearing bond in full (principal of US$42 million) during the Reporting Period. The aforesaid Group's bond was denominated in US$ with and had an effective interest rate at 13.7% (31 December 2016: 13.7%).

Gearing Ratio

As at 31 December 2017, the gearing ratio of the Group was 0.2% (31 December 2016: 19.4%), which was significantly improved during the Reporting Period and reflected a healthier financial position of the Group. The gearing ratio was calculated by dividing total borrowings by total assets of the Group as at 31 December 2017.

PROSPECT

As introduced in the Business Overview section in this results announcement, the Company will devote its efforts to achieving the goals set by the Board and the management.

HUMAN RESOURCES

As at 31 December 2017, the Group had 722 employees (31 December 2016: 294).

Staff Costs

Staff costs from continuing operations, including directors' emoluments, amounted to US$31 million for the year ended 31 December 2017 (2016: US$21 million). All of the Group members are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the position offered.

Retirement Costs Benefits

The Group operates a defined contribution mandatory provident fund for its employees in Hong Kong and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

The employees of the Group's subsidiary which operates in Canada may make voluntary contributions to a Registered Retirement Savings Plan ("RRSP"). The subsidiary matches the employee contributions up to an annual maximum. This subsidiary has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

A defined contribution plan is a pension plan under which the Group's subsidiaries which operate in United Kingdom pay fixed contributions into a separate entity. The Group's subsidiaries have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group's subsidiaries pay contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group's subsidiaries have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share Option Scheme

On 25 August 2017, the share option scheme of the Company adopted in 2010 (the "Previous Share Option Scheme") was terminated and a new share option scheme was adopted (the "New Share Option Scheme"). The New Share Option Scheme was adopted for a period of 10 years commencing from 25 August 2017. Details of the rules of the New Share Option Scheme were set out in the circular of the Company dated 8 August 2017.

In respect of the Previous Share Option Scheme, as a result of the mandatory cash offers by Kingston Securities for and on behalf of Port New Limited (details of which are set out in the composite offer and response document dated 2 June 2017), all outstanding options granted under the Previous Share Option Scheme were cancelled at the close of the mandatory cash offers on 23 June 2017. As for the New Share Option Scheme, as at the date of this announcement, the total number of options granted under the New Share Option Scheme is 277,844,600 share options.

FOREIGN EXCHANGE RISK

The Group's main operations are in Canada, the UK, PRC (including Hong Kong SAR) and United States of America. Most of the assets, income, payment and cash balances are denominated in US$, CAD and GBP. The Group has not entered into any foreign exchange hedging arrangement. The Directors consider that exchange rate fluctuation has no significant impact on the Group's performance.

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 31 December 2017, the Group had operating lease commitments of US$25 million (31 December 2016: US$13 million).

As at 31 December 2017, the Group had capital commitments of US$25 million (31 December 2016: US$2 million).

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company has all along committed to fulfill its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the year ended 31 December 2017.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2017, the Company was in compliance with all code provisions set out in the CG Code except for the deviations as explained below:

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. No appointment letter was issued by the Company to Mr. Yang Chia Hung (resigned on 5 July 2017) and Mr. Hu Chung Ming was not re-appointed for a specific term after his previous term expired in 2016. As at the date of this announcement, Mr. Hu is not appointed for a specific term but is subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the "Articles") which, in the opinion of the Directors, meets the objective of the Code.

Under Code Provision D.1.4, directors should clearly understand the delegation arrangements in place. The Company should have formal letters of appointment for Directors setting out the key terms and conditions relative to their appointment. The Company did not have formal letters of appointment for Mr. Wu Shiming (resigned on 5 September 2017), an executive Director, and Mr. Hu Chung Ming and Mr. Yang Chia Hung (resigned on 5 July 2017), independent non-executive Directors. However, they are subject to retirement by rotation at least once in every three years in accordance with the Articles. In addition, the Directors are required to observe the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors actively comply with the requirements under the Listing Rules, applicable legal and regulatory requirements and the Company's business and governance policies.

Under the Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Xu Yiran performs the dual roles of Chairman and Chief Executive Officer of the Company with effect from 5 September 2017. In light of the rapid development of the Group, the Board believes that by vesting the roles of both chairman and chief executive officer in the same person, the Group can enjoy consistent leadership which in turn facilitates strategic planning and prompt and effective execution of business plans. In addition, under the current composition of the Board, namely three executive Directors, three non-executive Directors and three independent non-executive Directors, we believe that the interests of shareholders of the Company are adequately and fairly represented. The Board considers that the present corporate governance arrangement does not impair the balance of power and authority within the Group.

Save as the aforesaid, in the opinion of the Directors, the Company has met all the code provisions set out in the CG Code during the year ended 31 December 2017.

Non-compliance with Rules 3.10(1) and 3.21 of the Listing Rules

Mr. Kwan Ngai Kit was first appointed as an independent non-executive Director on 5 July 2017. Pursuant to article 83(3) of the Articles, a Director appointed by the Board to fill a casual vacancy on the Board shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting. Inadvertently, the Company omitted to propose the re-election of Mr. Kwan Ngai Kit at the general meeting following his appointment on 25 August 2017 and consequently he ceased to be an independent non-executive Director after the meeting.

As a result of the cessation of Mr. Kwan Ngai Kit's appointment on 25 August 2017, the Company only had two independent non-executive Directors and the number of independent non-executive Directors fell below the minimum number of independent non-executive directors required under Rule 3.10(1) of the Listing Rules. In addition, following the said cessation of appointment, the number of members of the Audit Committee of the Company (the "Audit Committee") fell below the minimum required under Rule 3.21 of the Listing Rules.

Shortly after the cessation of Mr. Kwan Ngai Kit's appointment, Mr. Kwan was re-appointed as an independent non-executive Director and a member of the Audit Committee on 5 September 2017. Upon Mr. Kwan's re-appointment, the Company ceased to be non-compliant with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules. Mr. Kwan Ngai Kit was subsequently re-elected at the extraordinary general meeting of the Company held on 27 September 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Upon specific enquiries of all Directors of the Company, each of them confirmed that they complied with the required standards set out in the Model Code for the year ended 31 December 2017.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 25 May 2018, the register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, both days inclusive, during the period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 May 2018.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process together with risk management and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Hu Chung Ming (as chairman), Mr. Chan Chi Yuen, Mr. Kwan Ngai Kit. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the HKExnews website of the Stock Exchange (www. hkexnews.hk) and the website of the Company (www.leyoutech.com.hk). The Annual Report 2017 of the Company will be published on the above websites and despatched to shareholders in due course.

On behalf of the Board
Leyou Technologies Holdings Limited
Xu Yiran
Chairman and Chief Executive officer

Hong Kong, 16 March 2018

As at the date of this announcement, the Board comprises Mr. Xu Yiran (Chairman and Chief Executive Officer), Mr. Gu Zhenghao and Mr. Cao Bo as executive Directors, Mr. Eric Todd, Mr. Li Zhigang and Mr. Cheng Chi Ming Brian as non-executive Directors, and Mr. Hu Chung Ming, Mr. Chan Chi Yuen and Mr. Kwan Ngai Kit as independent non-executive Directors.

* *For identification purpose only*