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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1089)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

RESULTS HIGHLIGHTS

	For the year ended 31 December		
	2016	2015	Change
	(RMB'000)	*(RMB'000)*	*%*
		(Restated)	
From continuing operation			
Revenue	**855,883**	322,654	165.2
Gross Profit	**490,449**	170,206	188.2
Gross Profit Margin *(%)*	**57.3%**	52.8%	8.5
From continuing and discontinued operations			
Profit/(loss) for the year attributable to the owners of the Company	**48,576**	(81,626)	N/A
Basic and diluted earnings/(loss) per share *(RMB cents)*	**1.69**	(3.04)	N/A
Dividend per share *(RMB)*	**Nil**	Nil	N/A

BALANCE SHEET HIGHLIGHTS

	As at 31 December 2016 *(RMB'000)*	As at 31 December 2015 *(RMB'000)*	Change %
Total assets	**1,522,782**	2,040,158	(25.4)
Total borrowings**	**295,143**	278,467	6.0
Net assets	**1,036,658**	1,393,301	(25.6)
Net assets per share *(RMB)*	**0.36**	0.52	(30.8)
Current ratio	**3.86**	1.84	109.8
Gearing ratio*	**19.4%**	13.6%	42.6%

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

** *Total borrowings = Debenture + bank borrowings + bond*

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors of the Leyou Technologies Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present our annual report for the year ended 31 December 2016.

If the year 2015 marked the beginning of a new chapter for the Leyou Technology Holdings Ltd., 2016 was another year which the Group continued to evolve with our exciting growth strategy. In 20 May 2016, we have further acquired another 39% stake of our very successful Canadian video gaming studio, Digital Extremes Ltd. ("Digital Extremes") and have increased our effective control to 97% (the remaining 3% ownded by Perfect Online Holdings Limited). Our flagship video game, Warframe has also become one of the top free-to-play PC and console video games globally last year. After months of negotiation, we have signed Sell and Purchase Agreements back in the third quarter last year to acquire Splash Damage Limited, Fireteam Limited, and Warchest Limited from their UK owner for a consideration not exceeding US$150 million. On 30 September 2016, we also managed to dispose the poultry business in China, which has been struggled since 2013, despite numerous failed efforts in restructuring, rationalisation, and cost cutting. Upon the completion of our UK acquisitions, the Group sets to emerge into 2017 as an international video gaming franchise. As an on-going strategy, we intend to grow our portfolio of successful and profitable gaming companies through acquisitions in the more advanced markets. We are also confident that synergies would be generated among our studios, and we expect new game pipeline, new projects and initiatives such as partnership arrangements would underpin the Group's long term growth prospects.

RESULTS REVIEW

The Group's attributable turnover (on the continuing computer and video gaming operation) amounted to RMB856 million for the fiscal year 2016, representing a headline growth rate of 165% compared to RMB323 million in 2015. However, given the disposal of the poultry business on 30 September 2016 and we have increased from a 58% stake of Digital Extremes to a 97% effective control on 20 May 2016, we would caution any simple year-over-year comparison. (For a more accurate understanding of the operational performance of Digital Extremes, please refer to the Video Gaming section of this result review). Given the increased attributable earnings contribution from Digital Extremes last year and the marginal turnaround of the poultry business in China, the Group has reported a RMB48.6 million net profit attributed to the shareholders for the fiscal year 2016. That was a significant improvement from a net loss of RMB81.6 million in 2015. As a measure of operational performance, EBITDA of the continuing operation was RMB279 million in 2016, up 130% from a year ago due to the strong organic earning growth and increased equity stake of Digital Extremes. We are pleased to see that our strategic change in corporate direction since 2015 has started to deliver concrete financial results to our shareholders last year.

VIDEO GAMING

Our 97% owned, video gaming studio, Digital Extremes had delivered yet another year of outstanding performance in 2016. Revenue for the fiscal year ended 31 December 2016 was up 122.7% to CAD147.7 million with a 174% increase in gross profit to CAD95.8 million. Net income for the year also reached a new all-time record high of CAD58.7 million, representing an annual growth rate of 168.5% compared to CAD21.9 million in 2015. Profitability have improved further for the third consecutive years; 2016 gross profit and net margin were 64.8% (2015: 52.8%) and 40.2% (2015: 33.0%), respectively. This was the backdrop behind our decision to acquire the further 39% of stake of Digital Extremes back in May 2016 and we now have 97% of the effective control.

Our awards-winning online video game, Warframe has been the key growth driver for Digital Extremes' strong growth and record profitability last year. The game has continued to rack up a large number of players across the world and our peak PC user base has achieved a new record level last November as we launched the biggest update ever globally on 11 November 2016. This hugely successful free-to-play third-person shooter game has consistently ranked the top 10 most-played PC games on Steam most of last year. Strong revenue growth of Warframe was resulted from a stable ARPPU (Average Revenue Per Paying User) as well as a steady increase in active user base over time. In addition to growing users' support, our excellent monetarisation skill is also another key for its strong financial performance. At the end of 2016, total registered players across all platforms have increased further to 28.2 million, an increase of 40.8% from a year ago. Average Monthly Active Users rose to 2.17 million in 2016, up 30.3% from 1.66 million a year ago. Average Monthly Concurrent Users also climbed to 61,869 in 2016 from 48,393 in 2015, representing a 27.8% year-over-year increase. Underpinned by excellent users' experience, on-going new contents introduction, and effective marketing and promotional activities, we are confident that 2017 will remain a very successful year for this blockbuster video game.

In term of distribution agents, Steam (PC-based revenue) contributed to more than 30% revenue for 2016, whereas Microsoft (Xbox) and Sony (PS) platform represented approximately 23% and 19% revenues, respectively over the same period. We see little fundamental changes over vendors mix last year and such ratio shall remain fairly stable in the foreseeable future. In term of geographical revenue breakdown, North American remained the No.1 market with a 55% revenue (52% in 2015) contribution for 2016. Europe was the second largest market for Warframe and it contributed about 25% of last year revenue, same as the year before. Asia Pacific (ex-China) was 8.4% of revenue and its growth momentum seemed to have picked up towards 2H of 2016. However, China remained the only disappointment despite of the global success of Warframe and its revenue contribution has dropped from more than 11% in 2H15 (which Warframe was first officially launched in the mainland) to below 6% for 2016. Since Digital Extremes could not publish our video game directly into China given the restrictions on foreign publishers, our strength in self-development and self-publishing was not reflected in the China business. Warframe China, also known as "Galactic Armor", is an alternative build of Warframe published by ChangYou (PC version since September 2015) and Perfect World (console version since November 2015) developed by Digital Extremes, targeted specifically for Chinese players. We will review our engagement with Chinese publishing partners this year and work on rationalising and optimising the China business.

POULTRY (DISCONTINUED OPERATIONS)

In light of the impacts on avian influenza and competition from fast-growing chicken, the poultry industry in China has suffered widespread loss since 2013. Obviously, we have implemented numerous measures to contain the damages of epidemic diseases, costs as well as improve productivity, and expand sales channels. Although the overall poultry revenue has declined 27% year-over-year in 2016, the down-scaling of unprofitable business and on-going cost cutting measures has helped to turnaround the business slightly. As a result, the poultry operation reported a small net profit of RMB16.5 million for 2016, against a net loss of RMB56.0 million in 2015. Nevertheless, the inherited risk and cyclicality of the poultry business remains and the low profitability (net margin: 1.8%) does not argue well on keeping the poultry operation as a long-term strategic asset, especially when it is compared to our very profitable video gaming business. Therefore, we have disposed the entire poultry operation on 30 September 2016 and the proceeds will be deployed into growing our international video gaming portfolio.

BUSINESS STRATEGY & OUTLOOK

According to a market study by Technavio, the global massive multiplayers online (MMO) gaming market revenue is expected to grow at a CAGR of 12% between 2016-2020, fueled by the increasing popularity of free-to-play online games. This finding was in line with a Newzoo report that the global PC/MMO free-to-play (F2P) market has achieved a 12% CAGR between 2013-2016, at the expense of the pay-to-play (P2P) segment that delivered little growth over the same period. While F2P has always been the dominant monetisation model in China, it has only gained international popularity in recent years. We believe the transition to the F2P model for PC and console games in North America and Europe would continue for the years to come. While its growth remains strong, the global MMO gaming market has undergone some significantly changes in terms of revenue, player preferences, addressable players in recent years. On the console front, both the Xbox and PS have started to offer more games digitally; and mobile online video games have become increasingly popular in the more matured markets. The arrival of virtual reality is likely to extend the product life cycle of the seemingly matured console and PC segments for the years to come. It would offer new opportunities as well as challenges in developing video games in mobile devices. With these industry dynamics in mind, we will focus on building a diversified portfolio of profitable video gaming studios with strong IPs and franchises, innovative business model, and world class production capacity in more developed markets that have proved their success in developing high-end console, PC, as well as mobile video games.

For 2017, we continue to see robust earnings growth from Digital Extremes on the back of a steadily rising user base, an improved performance of the less penetrated Asian/China markets for Warframe, and the future contributions from new games in the pipeline. Specifically, we are looking to launch a newly-developed and self-published online video game, Keystone possibly by mid-2017. We also expect further revenue upsides from Digital Extremes' new partnership with the US studio, Human Head in the joint-development of a new online game towards the end of this year. Our teams at Digital Extremes are also mindful of the market potential of what a mobile and tablet version of Warframe and Keystone could bring, as well as the emergence of virtual reality video games in the coming quarters.

Meanwhile, the successful completion of our UK acquisitions (Splash Damage, Fireteam, and Warchest) in the near future would immediately enhance our investment portfolio and contribute to the Group overall revenue and earnings. Given their different but yet complementary skill set, we are confident that synergies would be generated among our video gaming studios. We also expect new projects and initiatives such as partnership arrangements with other studios would underpin our longer term growth and achieve better earnings diversity. Over the medium term, we continue to look for potential acquisitions of video gaming studios that would fit our stringent investment criteria and could potentially offer synergies to our existing portfolio.

ACKNOWLEDGEMENT

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

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 2016 as follows. The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** ***RMB'000***	2015 *RMB'000* (Restated)
Continuing operation			
Revenue	*3*	**855,883**	322,654
Cost of sales		**(365,434)**	(152,448)
Gross profit		**490,449**	170,206
Other revenue and gains	*5*	**7,288**	24,086
Net loss on financial assets at fair value through profit or loss	*9*	**(25,715)**	(4,104)
Impairment loss of available-for-sale financial assets		**(7,744)**	(17,558)
Loss on disposal of available-for-sale financial assets		**(15,403)**	–
Selling and distribution expenses		**(32,972)**	(15,782)
Amortisation of intangible assets		**(114,085)**	(45,909)
Administrative expenses		**(130,879)**	(47,395)
Finance costs	*6*	**(26,553)**	(477)
Other operating expenses		**(1,454)**	(3,788)
Equity-settled share-based payment expenses		**(12,824)**	(22,982)
Profit before taxation	*9*	**130,108**	36,297
Taxation	*7*	**(63,894)**	(38,234)
Profit/(loss) for the year from continuing operation		**66,214**	(1,937)

	Notes	2016 *RMB'000*	2015 *RMB'000* (Restated)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*8*	**26,922**	(55,983)
Profit/(loss) for the year		**93,136**	(57,920)
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		**(7,744)**	(17,558)
Reclassification relating to impairment loss on available-for-sale financial assets		**7,744**	17,558
Exchange differences on translating foreign operation		**80,619**	(9,791)
Reclassification adjustments relating to foreign operations disposed of during the year		**(4,798)**	–
Other comprehensive income/(loss) for the year, net of income tax		**75,821**	(9,791)
Total comprehensive income/(loss) for the year		**168,957**	(67,711)
Profit/(loss) for the year attributable to:			
Owners of the Company			
– from continuing operation		**22,835**	(27,346)
– from discontinued operations		**25,741**	(54,280)
Non-controlling interests			
– from continuing operation		**43,379**	25,409
– from discontinued operations		**1,181**	(1,703)
		93,136	(57,920)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**100,116**	(91,417)
Non-controlling interests		**68,841**	23,706
		168,957	(67,711)
Earnings/(loss) per share	*11*		
From continuing and discontinued operations			
Basic and diluted *(RMB cents per share)*		**1.69**	(3.04)
From continuing operation			
Basic and diluted *(RMB cents per share)*		**0.80**	(1.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**15,280**	377,476
Investment property		**–**	887
Prepaid lease payments		**–**	48,416
Prepayment for prepaid lease payments		**–**	25,331
Goodwill		**190,093**	172,453
Intangible assets		**418,445**	485,553
Development expenditure		**4,319**	2,700
Biological assets		**–**	5,513
Available-for-sale financial assets		**30,741**	63,562
Deferred tax assets		**–**	3,361
		658,878	1,185,252
Current assets			
Inventories		**1,885**	188,615
Biological assets		**–**	15,502
Trade receivables	*12*	**95,343**	114,141
Deposits paid, prepayments and other receivables		**419,261**	204,093
Prepaid lease payments		**–**	1,319
Financial assets at fair value through profit or loss		**249,236**	186,263
Tax recoverable		**7,135**	–
Pledged bank deposits		**–**	14,390
Cash and bank balances		**91,044**	130,583
		863,904	854,906
Current liabilities			
Trade payables	*13*	**1,871**	68,809
Accruals, deposits received and other payables		**53,100**	101,277
Bank borrowings		**–**	275,000
Deferred revenue		**23,596**	18,390
Tax payable		**–**	1,907
Bond		**145,523**	–
		224,090	465,383
Net current assets		**639,814**	389,523
Total assets less current liabilities		**1,298,692**	1,574,775

	2016	2015
	RMB'000	*RMB'000*
Equity		
Share capital	**236,606**	236,606
Reserves	**791,122**	932,917
Equity attributable to owners of the Company	**1,027,728**	1,169,523
Non-controlling interests	**8,930**	223,778
Total equity	**1,036,658**	1,393,301
Non-current liabilities		
Deferred tax liabilities	**112,414**	144,922
Deferred revenue	**–**	33,085
Bond	**145,785**	–
Debenture	**3,835**	3,467
	262,034	181,474
Total equity and non-current liabilities	**1,298,692**	1,574,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Suite 1020-22, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong respectively.

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

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

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

In the current year, the Group has applied, for the first time, a number of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") (which included all HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016. A summary of the new and revised HKFRSs are set out as below:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plant
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidated Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

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]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised losses[1]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transation[2]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9	Financial Instruments[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[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2019.

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.

3. REVENUE

Continuing operation

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Computer and video games	**855,883**	322,654

4. SEGMENT INFORMATION

During the year ended 31 December 2016, the Group operates in one operating segment which is 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. A single management team reports to the Directors (being the chief operating decision-maker) who comprehensively manage the entire business. Accordingly, the Group does not present separately 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 at which the goods were delivered.

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

Revenue from continuing operation from external customers

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
PRC	**111,881**	–
Canada	**744,002**	322,654
	855,883	322,654

Non-current assets

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Hong Kong	**32,536**	65,814
PRC	**144**	445,209
Canada	**626,198**	674,229
	658,878	1,185,252

Other information

Revenue from major products

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Computer and video games	**855,883**	322,654

Information about major customers

Four individual customers contributed over 10% of the total revenue of the Group from continuing operation during the year ended 31 December 2016 (2015: four).

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Customer A	**243,152**	130,373
Customer B	**170,032**	55,796
Customer C	**157,126**	61,411
Customer D	**111,881**	–
Customer E	**–**	41,090

5. OTHER REVENUE AND GAINS

Continuing operation

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest income on:		
Bank deposits	**404**	517
Other receivables	**5,584**	–
Total interest income	**5,988**	517
Government grants *(Note)*	**–**	243
Dividend income	**–**	257
Exchange gain	**1,168**	10,601
Compensation upon the termination from potential acquisition	**–**	12,417
Sundry income	**132**	51
	7,288	24,086

Note:

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

6. FINANCE COSTS

Continuing operation

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Interest on:		
Debenture	**335**	304
Bond	**24,953**	–
Bank borrowing	**1,265**	173
	26,553	477

7. TAXATION

Continuing operation

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
PRC enterprise income tax		
– current year	**24**	–
Canadian corporate income tax		
– current year	**106,297**	39,038
Deferred tax		
– current year	**(42,427)**	(804)
Income tax expense	**63,894**	38,234

8. DISCONTINUED OPERATIONS

On 30 September 2016, the Company has disposed of its entire interest in Sumpo International Holdings Limited and its subsidiaries (collectively referred to as "Sumpo Group"). The operations of the Sumpo Group represented the business segments of chicken meats, chicken breeds and animal feeds of the Group and therefore 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 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 period.

Profit/(loss) from the discontinued operations were as follows:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit/(loss) after taxation *(Note (a))*	**16,511**	(55,983)
Gain on disposal of subsidiaries *(Note (d))*	**10,411**	–
Profit/(loss) from discontinued operations	**26,922**	(55,983)

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**940,485**	1,283,142
Cost of sales	**(840,763)**	(1,209,085)
Other revenue and gains	**9,793**	12,584
Change in fair value less costs to sell of biological assets	**4,034**	4,984
Net loss on financial assets at fair value through profit or loss	**(10,913)**	(4,118)
Fair value of agricultural produce on initial recognition	**109,356**	61,063
Reversal of fair value of agricultural produce due to hatch and disposals	**(103,089)**	(62,529)
Selling and distribution expenses	**(28,602)**	(37,098)
Administrative expenses	**(33,855)**	(65,819)
Finance cost	**(10,763)**	(16,830)
Other operating expenses	**(17,514)**	(18,982)
Profit/(loss) before taxation	**18,169**	(52,688)
Taxation	**(1,658)**	(3,295)
Profit/(loss) after taxation	**16,511**	(55,983)
Profit/(loss) attributable to:		
Owners of the Company	**15,330**	(54,280)
Non-controlling interests	**1,181**	(1,703)
	16,511	(55,983)
Basic and diluted Earnings/(loss) per share from discontinued operations *(RMB cents per share)*	**0.89**	(2.02)

(b) Profit before taxation from discontinued operations is arrived at after (crediting)/charging the following:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
(Gain)/loss on disposal of property, plant and equipment	**(9)**	408
Staff cost	**16,991**	90,675
Depreciation of investment property	**26**	36
Amortisation of prepaid lease payment	**989**	1,319
Operating lease rental expenses	**847**	2,327
Depreciation of property, plant and equipment	**20,273**	27,407
Research and development costs	**4,709**	8,164

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Net cash inflow/(outflow) from operating activities	**1,659**	(72,107)
Net cash inflow/(outflow) from investing activities	**4,240**	(60,538)
Net cash (outflow)/inflow from financing activities	**(9,187)**	38,398
	(3,288)	(94,247)

(d) ***Disposal of subsidiaries***

Analysis of assets and liabilities over which control was lost

	At 31 December 2016 *RMB'000*
Net assets disposed of	
Property, plant and equipment	**346,478**
Investment property	**861**
Prepaid leases payments	**48,746**
Prepayment for prepaid lease payment	**24,989**
Biological assets	**25,959**
Deferred tax assets	**3,338**
Inventories	**107,897**
Trade receivables	**38,220**
Prepayment and other receivables	**275,186**
Financial assets at fair value through profit or loss	**25,034**
Pledged bank deposits *(Note (e))*	**5,677**
Cash and cash equivalents *(Note (e))*	**14,322**
Trade payables	**(60,151)**
Accruals, deposits received and other payables	**(93,152)**
Amount due to the Group	**(242,480)**
Bank borrowing	**(265,813)**
Deferred revenue	**(31,662)**
Tax payables	**(417)**
	223,032

Gain on disposal of subsidiaries	
Net assets disposed of	**(223,032)**
Consideration	**214,435**
Cumulative exchange gain in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	**4,798**
Derecognition of non-controlling interest	**14,210**
	10,411

(e) ***Net cash inflow on disposal of subsidiaries***

	For the year ended 31 December 2016 *RMB'000*
Analysis of net cash flow in respect of the disposal of subsidiaries is as follows:	
Cash consideration received	**214,435**
Pledged bank deposits disposed of *(Note (d))*	**(5,677)**
Cash and cash equivalents disposed of *(Note (d))*	**(14,322)**
Total cash inflow from disposal of subsidiaries	**194,436**

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

Continuing operation

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Staff costs including directors' remuneration	**116,783**	64,250
Equity-settled share-based payment expenses	**12,824**	22,982
Retirement schemes benefits	**3,298**	977
Total staff costs	**132,905**	88,209
Depreciation of property, plant and equipment	**5,296**	2,596
Amortisation of development expenditure	**2,908**	35,813
Amortisation of intangible assets	**114,085**	45,909
Total depreciation and amortisation	**122,289**	84,318
Auditors' remuneration		
– Audit service	**1,544**	1,604
– Other service	**515**	–
Operating lease rental expenses	**10,095**	3,731
Loss on disposal of property, plant and equipment	**42**	421

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

Continuing operation

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Proceeds on sales	**39,445**	137,768
Less: Cost of sales	**(59,526)**	(137,274)
Net realised (loss)/gain on financial assets at fair value through profit or loss	**(20,081)**	494
Unrealised loss on financial assets at fair value through profit or loss	**(5,634)**	(4,598)
Net loss on financial assets at fair value through profit and loss	**(25,715)**	(4,104)

10. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

11. EARNINGS／(LOSS) PER SHARE

Continuing and discontinued operations

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	**48,576**	(81,626)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**2,868,480**	2,683,142

Diluted earnings/(loss) per share for the years ended 31 December 2016 and 2015 was the same as the basic earnings per share. The effects of the Company's outstanding share option was anti-dilutive.

Continuing operation

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	**48,576**	(81,626)
(Less)/add: (Profit)/loss for the year from discontinued operations	**(25,741)**	54,820
Profit/(loss) for the purpose of basic earnings/(loss) per share from continuing operation	**22,835**	(27,346)

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

Diluted earnings/(loss) per share from continuing operation for the years ended 31 December 2016 and 2015 was the same as basic earnings/(loss) per share. The effects of the Company's outstanding share option was anti-dilutive.

Discontinued operations

For the year ended 31 December 2016, basic earnings per share for discontinued operations attributable to the owners of the Company is RMB0.89 cents per share (2015: basic loss per share of RMB2.02 cents per share), based on profit for the year of approximately RMB25,741,000 (2015: loss of approximately RMB54,820,000).

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

Diluted earnings/(loss) per share from discontinued operations for the years ended 31 December 2016 and 2015 was the same as basic earnings/(loss) per share. The effects of the Company's outstanding share option was anti-dilutive.

12. TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**95,343**	114,549
Less: Impairment loss recognised	**–**	(408)
	95,343	114,141

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**84,555**	102,724
31 days to 70 days	**10,519**	4,207
71 days to 180 days	**249**	7,210
Over 180 days	**20**	–
	95,343	114,141

13. TRADE PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables	**1,871**	68,809

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**1,370**	60,844
31 to 90 days	**496**	6,583
91 to 180 days	**–**	640
Over 180 days	**5**	742
	1,871	68,809

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

14. COMPARATIVES

The comparative consolidated statement of profit or loss has been re-presented as the segments of chicken meat, chicken breeds and animal feeds 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 provide a more appropriate presentation of the Group's business segments.

BUSINESS OVERVIEW

Acquisition of the remaining 39% of the issued share capital of Digital Extremes

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

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

All the conditions precedent set out in the Sale and Purchase Agreement have been fulfilled and the 39% Acquisition Closing took place on 20 May 2016. 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 and 3.0% by Perfect Online.

For details please refer to the Company's announcements dated 28 April and 20 May 2016.

Very substantial disposal and connected transaction relating to disposal of the entire equity interest in the target company of the poutlry segment

On 10 August 2016, the Company and the 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 the Target Company at a consideration of RMB214,000,000 (equivalent to approximately HK$258,000,000), subject to the terms and conditions of the Sale and Purchase Agreement. Upon Completion, the Target Company and its subsidiaries will cease to be subsidiaries of the Company which represents the end of the poultry business for the company.

For details please refer to the Company's announcements and circular dated 10 August, 17 September and 30 September 2016.

The acquisition of United Kingdom video games companies

The Company entered into the Main SPA pursuant to which Radius Maxima conditionally agreed to acquire the Splash Damage Shares, the Fireteam Shares and the Warchest Shares from Paul Wedgwood.

For details please refer to the Company's announcements and circular dated 30 May, 3 July, 29 July, 29 August, 26 September, 11 January, 22 February and 9 March 2016.

Cancellation agreement disposal of the entire equity interests of Huizhou Zhibin Technology Ltd*

On 9 November 2016, Leyou World (Shenzhen) Science and Technology Co. Ltd. ("Leyou World"), a wholly-owned subsidiary of the Company, entered into a cancellation agreement (the "Cancellation Agreement") with the transferors whereby the parties have mutually agreed to cancel the equity transfer agreement and the ancillary agreements relating to the acquisition by Leyou World the entire equity interest of 惠州智彬科技有限公司(Huizhou Zhibin Technology Ltd.*) and to release and discharge each other from their respective obligations under the agreements.

For details please refer to the Company's announcements dated 9 November 2016.

FINANCIAL REVIEW

Revenue

Continuing Operation – Computer and Video gaming

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

	For the year ended 31 December		
	2016	2015	% change in revenue
	RMB'000	*RMB'000*	
Computer and Gaming	**855,883**	322,654	165

Our total revenue increased by approximately 165% from approximately RMB322,654,000 for the year ended 31 December 2015 to approximately RMB855,883,000 for the year ended 31 December 2016, primarily due full year result of the revenue contributed from acquired gaming business as compared to the 5 months result after acquisition.

Discontinued Operations – Poultry

Revenue for the poultry business was approximately RMB940,485,000 for the year ended 31 December 2016 as compared to approximately RMB1,283,142,000 for the year ended 2015. In the current year, the Group only accounted for nine months result of the poultry segment up to the date of completion of disposal on 30 September 2016.

Gross Profit

	For the year ended 31 December		
	2016	2015	% change in gross profit
	RMB'000	*RMB'000*	
Computer and video games	**490,449**	170,206	188

Gross Profit Margin

	For the year ended 31 December	
	2016	2015
	%	*%*
Computer and video games	**57.3**	52.8

Gross profit increased by approximately 188% from approximately RMB170,206,000 for the year ended 31 December 2015 to approximately RMB490,449,000 for the year ended 31 December 2016. Our overall gross profit margin increased from approximately 52.8% for the year ended 31 December 2015 to approximately 57.3% for the year ended 31 December 2016. The increase in gross profit margin due to the increase sales of the computer and gaming business.

Other Revenue and Gains

Other revenue and gains decreased by approximately 69.7%, from approximately RMB24,086,000 for the year ended 31 December 2015 to approximately RMB7,288,000 for the year ended 31 December 2016, primarily as a result of the compensation upon termination from a potential acquisition and the exchange gain last year.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 108.9%, from RMB15,782,000 for the year ended 31 December 2015 to approximately RMB32,972,000 for the year ended 31 December 2016, primarily as a result of the sharing of full year in related costs in the gaming segment.

Administrative Expenses

Administrative expenses increased by approximately 176.1%, from RMB47,395,000 for the year ended 31 December 2015 to approximately RMB130,879,000 for the year ended 31 December 2016, primarily as a result of increase in staff costs and the legal and professional fees for acquisitions and disposal of subsidiaries during the year ended 31 December 2016.

Other Operating Expenses

Other operating expenses decreased by approximately 61.6%, from RMB3,788,000 for the year ended 31 December 2015 to approximately RMB1,454,000 for the year ended 31 December 2016, mainly due to the decrease in the donation and fee and commission expense from trading of financial assets during the reporting period.

Finance Costs

Finance costs increased by approximately 5,466.7%, from RMB477,000 for the year ended 31 December 2015 to approximately RMB26,553,000 for the year ended 31 December 2016, primarily as a result of interest for the fixed coupon redeemable bond issued during the year.

Taxation

Taxation increased by approximately 67.1%, from a tax expense of approximately RMB38,234,000 for the year ended 31 December 2015 to a tax expense of approximately RMB63,894,000 for the year ended 31 December 2016, primarily as a result of the increase in the income from gaming segment within the Group companies.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

During the year, the Group financed its operations with internally generated cash flow and proceeds from the issuance of the fixed coupon redeemable bond for its capital requirements.

As at 31 December 2016, cash and cash equivalents amounted to approximately RMB91,044,000 (2015: cash and cash equivalents and pledged bank deposits approximately RMB144,973,000), of which were denominated in Renminbi, Hong Kong Dollars, US Dollars and Canadian Dollars.

Borrowings and Pledged Assets

As at 31 December 2016, there was no outstanding interest-bearing bank borrowings (2015: approximately RMB275,000,000). The decrease in bank borrowings was mainly due to the disposal of poultry segment. The Group's bond was divided into both short-term and long-term which denominated in US Dollars with effective interest rate at 13.7% per annum (2015: nil).

Gearing Ratio

As at 31 December 2016, the gearing ratio of the Group was approximately 19.4% (2015: approximately 13.6%). This was calculated by dividing interest-bearing borrowings with the total assets of the Group as at 31 December 2016. The increase in the gearing ratio was mainly due to the decrease in total assets during the year.

PROSPECT

As introduced in the Business Strategy & Outlook in Chairman's Statement, the Company with devote it effort to achieve goals set by the Board and the management.

OTHER INFORMATION

1. Human Resources

As at 31 December 2016, the Group had 294 employees. Employee costs, including directors' emoluments, amounted to approximately RMB120.0 million for year ended 31 December 2016 (2015: RMB65.2 million). All of the Group companies are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the position offered. The Group contributes to a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

The Company also adopted a share option scheme on 11 January 2011. For the year ended 31 December 2016, the Company granted an aggregate of 129,600,000 share options to certain eligible participants with the exercise price of HK$1.2 per share.

2. Foreign Exchange Risk

The Group's main operations are in the PRC and Canada. Most of the assets, income, payments and cash balances are denominated in Renminbi, Canadian Dollars and US Dollars. The 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.

3. Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the year, the Company had acquired another 39% of the entire issued share capital of Digital Extremes, which allows the Group to control up to 97% of Digital Extremes. The transaction was completed on 20 May 2016.

The Company also ceased its poultry business by disposal of the entire interest of the shares of its subsidiary, Sumpo International Holdings Limited. This transaction was completed 30 September 2016.

The Company also terminated and cancelled the transaction relating to the acquisition of 惠州智彬科技有限公司 (Huizhou Zhibin Technology Ltd.*) on 9 November 2016.

The acquisition by Radius Maxima of the entire issued share capital of Splash Damage Limited, Firesteam Limited and Warchest Limited from Paul Wedgwood was approved on 9 March 2017 by the shareholders of the Company. Splash Damage, Fireteam and Warchest since then become wholly-owned subsidiaries of Raduis Maxima.

4. Contractual and Capital Commitments

As at 31 December 2016, the Group had operating lease commitments of approximately RMB90.4 million (2015: approximately RMB64.1 million).

As at 31 December 2016, the Group had capital commitments of approximately Nil million (2015: RMB25.5 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 2016.

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 2016.

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 2016, the Company was in compliance with all code provisions set out in the CG Code except for the deviations as explained below:

Under the Code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. There is no appointment letter issued by the Company to Mr. Yang Chia Hung and the term of appointment of Mr. Hu Chung Ming, an independent non-executive Director, expired in year 2016 and thereafter they are not appointed for a specific term, but they are subject to retirement by rotation at least once in every three years in accordance with the articles of association of the Company (the "Articles").

Under the 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, an executive Director of the Company, and Mr. Hu Chung Ming and Mr. Yang Chia Hung, 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 have followed 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 of the Company. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

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 2016.

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 2016.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: 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, 23 June 2017, the register of members of the Company will be closed from Monday, 19 June 2017 to Friday, 23 June 2017, 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, 16 June 2017.

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 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. Yeung Chia Hung. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

On behalf of the Board
Leyou Technologies Holdings Limited
Law Kin Fat
Vice Chairman

Hong Kong, 30 March 2017

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

* *For identification purpose only*