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LEYOU TECHNOLOGIES HOLDINGS LIMITED

樂遊科技控股有限公司

(Formerly known as Sumpo Food Holdings Limited)
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1089)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

RESULTS HIGHLIGHTS

	For the six months ended 30 June		
	2015	2014	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	621,348	530,586	17.1
Gross Profit	40,699	35,147	15.8
Gross Profit Margin (%)	6.6%	6.6%	—
Profit (loss) for the period attributable to the owners of the Company	7,073	(10,017)	170.6
Basic profit (loss) per share (RMB cents)	0.28	(0.50)	

The board (the “**Board**”) of directors (the “**Directors**”) of Leyou Technologies Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2015. These condensed consolidated interim financial statements have not been audited but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	4	621,348	530,586
Cost of sales		(580,649)	(495,439)
Gross profit		40,699	35,147
Other revenue and gains	5	9,738	12,507
Losses arising from changes in fair value less cost to sell of biological assets	10	(6,505)	(3,063)
Fair value of agricultural produce on initial recognition		44,523	51,510
Reversal of fair value of agricultural produce due to hatch and disposals		(45,175)	(52,569)
Net gain on financial assets at fair value through profit or loss	7	38,954	9,839
Selling and distribution expenses		(16,270)	(14,680)
Administrative expenses		(39,361)	(27,168)
Finance costs		(9,224)	(5,760)
Other operating expenses		(9,393)	(16,049)
Profit/(loss) before taxation		7,986	(10,286)
Taxation	6	(1,644)	17
Profit/(loss) and total comprehensive income/(loss) for the period		6,342	(10,269)

		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		7,073	(10,017)
Non-controlling interests		(731)	(252)
		<u>6,342</u>	<u>(10,269)</u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		7,073	(10,017)
Non-controlling interests		(731)	(252)
		<u>6,342</u>	<u>(10,269)</u>
Earnings/(loss) per share			
	8		
Basic and diluted (RMB cents per share)		<u>0.28</u>	<u>(0.50)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		As at 30 June 2015 <i>RMB'000</i> (Unaudited)	As at 31 December 2014 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		360,638	346,758
Investment property		906	923
Biological assets	<i>10</i>	7,558	5,432
Prepaid lease payments		49,049	49,708
Prepayment for prepaid lease payments		25,527	18,072
Deferred tax assets		3,593	3,824
		<u>447,271</u>	<u>424,717</u>
Current assets			
Inventories		191,994	127,312
Biological assets	<i>10</i>	8,238	9,396
Trade receivables	<i>11</i>	35,890	33,197
Deposits paid, prepayments and other receivables		270,718	114,079
Prepaid lease payments		1,346	1,346
Financial assets at fair value through profit or loss	<i>12</i>	190,732	59,004
Pledged bank deposits		20,630	8,064
Cash and bank balances		569,050	128,332
		<u>1,288,598</u>	<u>480,730</u>
Current liabilities			
Trade payables	<i>13</i>	59,960	38,920
Accruals, deposits received and other payables		71,929	60,337
Obligation under financial lease		–	491
Bank borrowings	<i>14</i>	305,113	257,820
		<u>437,002</u>	<u>357,568</u>
Net current assets		<u>851,596</u>	<u>123,162</u>
Total assets less current liabilities		<u><u>1,298,867</u></u>	<u><u>547,879</u></u>

	<i>Notes</i>	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Equity			
Share capital		236,606	167,392
Reserves		1,011,104	325,742
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,247,710	493,134
Non-controlling interests		14,002	14,733
		<hr/>	<hr/>
Total equity		1,261,712	507,867
		<hr/>	<hr/>
Non-current liabilities			
Obligation from financial lease		–	1,921
Debenture		3,213	3,163
Deferred revenue		33,942	34,928
		<hr/>	<hr/>
Total non-current liabilities		37,155	40,012
		<hr/>	<hr/>
Total equity and non-current liabilities		1,298,867	547,879
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2014 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA as discussed below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2015.

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

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

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

The application of the above and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

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

3. SEGMENT INFORMATION

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

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

Chicken meat: The chicken meat segment carries out the business of slaughtering, production and sales of chicken meat.

Chicken breeds: The chicken breeds segment carries out the business of hatching of broiler eggs and breeding of Parent Stock Day-Old Chicks.

Animal feeds: The animal feeds segment carries out the business of feeds production.

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

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

	Six months ended 30 June 2014 (Unaudited)				
	Chicken meat <i>RMB'000</i>	Chicken breeds <i>RMB'000</i>	Animal feeds <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment results					
External segment revenue	322,564	42,626	165,396	–	530,586
Inter-segment revenue	284,015	41,204	53,960	(379,179)	–
Segment revenue	<u>606,579</u>	<u>83,830</u>	<u>219,356</u>	<u>(379,179)</u>	<u>530,586</u>
Segment results	5,469	24,759	9,429	–	39,657
Unallocated revenue and gains					12,507
Unallocated net gain on financial assets fair value through profit or loss					1,207
Unallocated selling and distribution expenses					(14,680)
Unallocated administrative expenses					(27,168)
Unallocated operating expenses					(16,049)
Loss from operations					(4,526)
Finance costs					(5,760)
Loss before taxation					<u>(10,286)</u>

4. REVENUE

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

	Six months ended 30 June	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)
Chicken meat products	371,960	322,564
Chicken breeds	50,568	42,626
Animal feeds	198,820	165,396
	<u>621,348</u>	<u>530,586</u>

5. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	222	98
Sales of side products and related products, net	3,027	8,978
Deferred income	24	–
Government grants (<i>Note</i>)	296	2,971
Reversal of impairment loss recognised on other receivables	2,253	–
Exchange gain	3,072	15
Dividend income	173	–
Sundry income	671	445
	<u>9,738</u>	<u>12,507</u>

Note:

Government grants include subsidies income received by a subsidiary of the Group which operates in the People's Republic of China (the "PRC") in accordance with the subsidy policies of local government authorities and in relation to the construction of qualifying assets. Subsidies income received by a subsidiary of the Group is recognised in profit or loss when received and no specific conditions have been required to fulfill. Those government grants in relation to the construction of qualifying assets are recognised as deferred income. The government grants recognised at 30 June 2015 are non-recurring. There are no unfulfilled conditions or contingencies relating to these government grants.

6. TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC enterprise income tax		
– over provision in prior year	–	(230)
– current period	1,413	–
Deferred income tax	231	213
	<u>1,644</u>	<u>(17)</u>

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI for the period.
- (b) No provision for Hong Kong profits tax has been made as the Group did not have assessable profits subject to Hong Kong profits tax for the period.

(c) Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC Enterprise Income Tax (“EIT”) at a tax rate of 25% for the period, except for the following:

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

Fujian Baojiashun Food Development Company Limited (“Fujian Baojiashun”) is also entitled to EIT exemption with respect to the income derived from the processing of frozen chicken meat products for the period.

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

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

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

(iv) According to the notice issued by the State Council (the “Notice”), enterprises which are entitled to enjoy tax incentive shall have a grace period of five years commencing from 1 January 2008 before they are required to pay the corporate income tax at the rate of 25%. Before the promulgation of the new PRC EIT Law, as Xiamen Sumpo Food Trading Limited (“Xiamen Sumpo Trading”) is located in the Xiamen Special Economic Zone, it was only required to pay corporate income tax at the reduced rate of 15%. As a result of the new PRC tax law and the Notice, it was required to pay corporate income tax at the reduced rate of 18% for the year ended 31 December 2008, 20% for the year ended 31 December 2009, 22% for the year ended 31 December 2010, 24% for the year ended 31 December 2011 and 25% for the year ended 31 December 2012 and afterward.

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

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

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

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

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs		
including directors' remuneration	12,014	7,741
Contributions to retirement schemes	2,437	1,111
	<hr/>	<hr/>
Total staff costs	14,451	8,852
	<hr/>	<hr/>
Depreciation of property, plant and equipment	14,332	12,990
Depreciation of investment property	17	17
Amortisation of prepaid lease payments	659	655
	<hr/>	<hr/>
Total depreciation and amortisation	15,008	13,662
	<hr/>	<hr/>
Net gain on financial assets at fair value through profit or loss:		
Proceeds on sales	45,122	1,139
Less: Cost of sales	(45,520)	(1,097)
	<hr/>	<hr/>
Net realised (loss)/gain on financial assets at fair value through profit or loss	(398)	42
Unrealised gain on financial assets at fair value through profit or loss	39,352	9,797
	<hr/>	<hr/>
Net gain on financial assets at fair value through profit or loss	38,954	9,839
	<hr/>	<hr/>

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit/(loss)		
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	7,073	(10,017)
	<hr/>	<hr/>

	Six months ended 30 June	
	2015	2014
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per shares	2,499,575	1,775,558
	<hr/>	<hr/>

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

9. DIVIDENDS

No dividends were declared during the six months ended 30 June 2015 and 2014.

10. BIOLOGICAL ASSETS

Movements of biological assets are summarized as follows:

	Parent Stock Day-Old Chicks and immature breeders	Mature breeders	Chicken breeds	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2014 (audited)	9,778	4,278	3,154	17,210
Increase due to purchases	645	–	–	645
Increase due to raising (feeding cost and others)	6,332	–	101,266	107,598
Transfer	(11,671)	11,671	–	–
Decrease due to retirement and deaths	–	(10,451)	–	(10,451)
Decrease due to sales	–	–	(98,106)	(98,106)
Changes in fair value less costs to sell	(5,084)	(66)	3,082	(2,068)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2014 and 1 January 2015 (audited)	–	5,432	9,396	14,828
Increase due to purchases	2,478	–	–	2,478
Increase due to raising (feeding cost and others)	9,896	–	55,114	65,010
Transfer	(5,574)	5,574	–	–
Decrease due to retirement and deaths	–	(6,976)	–	(6,976)
Decrease due to sales	–	–	(53,039)	(53,039)
Changes in fair value less costs to sell	(2,239)	(1,033)	(3,233)	(6,505)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2015 (unaudited)	<u>4,561</u>	<u>2,997</u>	<u>8,238</u>	<u>15,796</u>

Note:

The Group's biological assets at 31 December 2014 and 30 June 2015 have been arrived at on the basis of a valuation carried out by Asset Appraisal Limited. As at 30 June 2015, the fair value less costs to sell of chicken breeds are determined with reference to the market determined prices of items with similar age, breed and genetic merit, if the market-determined prices are available. Due to the fact that the market-determined prices for parent stock day-old chicks and immature breeders and mature breeders are not available, the valuations adopted the net present value approach to calculate the fair value less cost to sell of these items. The resulting losses arising from changes in fair value less costs to sell of biological assets of RMB6,505,000 (resulting losses for six months ended 30 June 2014: RMB3,063,000) has been recognised directly in profit or loss for the six months ended 30 June 2015.

11. TRADE RECEIVABLES

	As at 30 June 2015 <i>RMB'000</i> (Unaudited)	As at 31 December 2014 <i>RMB'000</i> (Audited)
Trade receivables	38,798	33,605
Less: Impairment loss recognised	(2,908)	(408)
	<u>35,890</u>	<u>33,197</u>

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

	As at 30 June 2015 <i>RMB'000</i> (Unaudited)	As at 31 December 2014 <i>RMB'000</i> (Audited)
Within 30 days	34,345	29,953
31 to 70 days	1,455	742
71 to 180 days	85	2,502
181 to 365 days	5	–
	<u>35,890</u>	<u>33,197</u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2015 <i>RMB'000</i> (Unaudited)	As at 31 December 2014 <i>RMB'000</i> (Audited)
Held for trading:		
– Listed equity securities in the Hong Kong (Note (a))	146,861	18,939
– Unlisted equity securities in the PRC (Note (b))	43,871	40,065
	<u>190,732</u>	<u>59,004</u>

Notes:

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

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

The unlisted equity securities are measured at fair value and are classified as Level 3 fair value measurement. The fair value of the unlisted equity securities are estimated by International Valuation Limited. The valuation was arrived at by reference to market comparables which are the closest proxies to Xiamen Bank with similar industry focus, risk and nature.

At the end of the reporting period, the Group has pledged 0.56% of the paid up capital of Xiamen Bank to secure bank borrowings (Note 14).

13. TRADE PAYABLES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Trade payables	59,960	38,920

The ageing analysis of trade payables are as follows:

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Within 30 days	39,572	35,847
31 to 90 days	10,196	1,138
91 to 180 days	9,448	1,164
Over 180 days	744	771
	59,960	38,920

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

14. BANK BORROWINGS

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Bank borrowings – secured	238,000	223,000
Loan from other bank facilities	67,113	34,820
	<hr/>	<hr/>
Total bank borrowing	305,113	257,820
	<hr/>	<hr/>
Carrying amount repayable:		
On demand or within one year	305,113	257,820
Less: Amounts due within one year shown under current liabilities	(305,113)	(257,820)
	<hr/>	<hr/>
	–	–
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The carrying amount of the Group's bank borrowings are all originally denominated in RMB, which is the functional currency of the Group.

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

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
– floating interest rate	5.25 – 6.0%	5.0 – 6.6%
	<hr/>	<hr/>

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

- (a) the Group's property, plant and equipment with a carrying amount of approximately RMB31,190,000 (2014: approximately RMB31,822,000).
- (b) the Group's prepaid lease payments with a carrying amount of approximately RMB41,705,000 (2014: approximately RMB42,208,000).
- (c) the Group has pledged bank deposits of approximately RMB20,630,000 to secure bank borrowing as at 30 June 2015 (2014: approximately RMB8,064,000).
- (d) the Group has pledged 0.56% of the paid up capital of Xiamen Bank to secure bank borrowings with amount of approximately RMB30,000,000 as at 30 June 2015 (2014: approximately RMB30,000,000).

15. COMMITMENTS FOR EXPENDITURE

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Commitments for acquisition of property, plant and equipment and advertisement	51,113	50,544

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) *Grant of share options*

The Company offered to grant share options to subscribe for a total of 158,400,000 shares of HKD0.1 each in the capital of the Company to a director, chief executive officer of the Company and certain eligible persons, subject to acceptance of the grantees, under the share option scheme adopted by the Company on 17 December 2010. For further details, please refer to the Company's announcement dated 25 July 2015.

(b) *Termination of term sheet in respect of the proposed very substantial acquisition*

On 31 March 2015, the Company and Ledo Millennium Co., Ltd. ("Ledo Millennium") have entered into a term sheet, pursuant to which the Company intends to subscribe for shares of Ledo Millennium's equity interest, and Ledo Millennium has simultaneously entered into a separate term sheet with a renowned Japanese video game developer under which Ledo Millennium shall acquire the controlling stake of the total share capital of the target company, subject to the due diligence and execution of definitive agreements between the parties. If materialized, the possible investment will result in the Company indirectly acquiring a controlling interest in the target company.

Other than customary provisions such as confidentiality, the term sheet is non-legally binding. Nevertheless, pursuant to the term sheet, upon signing of the term sheet, the Company was required to pay a non-refundable deposit in the amount of US\$2 million, which the Company intended to pay within five working days from the date of the announcement.

On 10 August 2015, the Company entered into a termination agreement with Ledo Millennium and BZ Entertainment Co., Ltd., pursuant to which the parties thereto have agreed to terminate the term sheet with effect from the date thereof. For further details, please refer to the Company's announcement dated 31 March 2015 and 10 August 2015. On 19 August 2015, the Company got back the deposit with compensation of US\$4 million.

(c) *Proposed acquisitions of subsidiaries*

On 21 July 2015, the acquisition of 58% of the issued ordinary share capital of Digital Extremes Limited was completed. For further details, please refer to the Company's announcement dated 21 July 2015 and 28 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Leyou Technologies Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is one of the well-known chicken meat products suppliers in the Fujian Province of the PRC and our principal business comprises selling chicken meat products under the “森寶(Sumpo)” brand. The Group’s production process, which comprises the sales of chicken breeds, the production and sales of animal feeds, the breeding of broilers and slaughtering, processing and sales of broilers, is vertically integrated.

In the first half of 2015, affected by peripheral factors such as avian influenza and fast-grown chickens, the broiler industry in China suffered losses in general. In facing the difficult situation, the Company was not discouraged and stood in unity. We improved the technical innovation and efficiency by strengthening the prevention and control of diseases, and increase the technical investment and implement equipment modification. The Company enhanced its production capacity and efficiency to a certain extent and expanded the sales channels; then it promoted development in various aspects steadily so as to improve efficiency and basically achieved the operation target in the first half of the year.

1. Focused and professional, people-oriented, consistent planning

The Company fully implemented the development principle of being focus and professional, combining the corporate features of agricultural industrialization business: with large floor area, consistent cultivation distribution, conduct planning and layout early with consistent command, construct a reasonable business model (Company + base + farms or try to explore other models). Meanwhile, the Company strengthened the establishment of incentive mechanism and assessment management. Public resources were gathered to realise the optimisation of resources. There was a clear division of labor and co-operation, stable production operation and optimization of business processes, effectively brining responsibility, rights and benefits together and achieving a new level in management. Besides, the Company attaches great importance to personnel training. It introduced many talents in professions related to feeds, veterinary, quality control and food engineering, which greatly improved the technology and quality control. The effect has become more visible gradually after six months of adjustment. And relevant professionals were arranged to participate in professional trainings for numerous times by way of dispatch and invitation. The professional trainings were primarily: trainings such as testing technology, patent applications, breeding techniques, animal nutrition, breeding management, food safety, innovation management. The trainings enhanced the professional standards of the technical staff and served the Company better.

2. Strengthen technological innovation and promote standardized construction

The Company has innovated feed, breeding, processing and other aspects, advising on the improvements against the disadvantages of the existing breeders and farms such as airtight, thickness of wall, exterior painting, roof inclination. The Company attempted new models of cultivation and feeding, improved cultivation technology, performed well in the technical service projects such as farm records and technological improvements, stabilized and improved standards of cultivation technology. Meanwhile, standardized modification and expansion of large-scale breeders and farms were conducted, such as replacing stoves with water heaters. The use of spray disinfection system was increased to maintain a more even temperature. The roof structure was improved and its waterproof capability and insulation were substantially increased, which effectively reduced the temperature difference in breeding chicken coops.

3. Strengthen product management and guarantee product quality

In terms of breeding management, the Company introduced the use of breeding management software, enhanced management quality and controlled breeding environment and information with precision. Biological safety and the cleaning and sterilization of empty chicken coop were improved and regulated. In terms of processing of meat products, delivery inspection management of feathered chicken was improved, mainly strengthening the record and inspection of arriving feathered chickens, supplementing the recycling management of feathered chickens and strengthening requirements of sample testing. The complaint management was improved. Complaints on products such as feeds, feathered chicken and chicken meat were handled properly and improvement measures were suggested. Processing plant focused on refined management of broiler processing and enhancing yield rate of products. Besides, energy saving and emission reduction were implemented with determination. The efforts include introducing the use of electric real-time monitoring system, updating facilities and implement technological modification to ensure the quality of product.

4. Strengthen procurement management and expand procurement channels

We pay close attention to the industry and take the opportunities to expand procurement channels and reduce costs. We applied for the tariff quota of corn and actively participated in the auction of corn and wheat in reserve to save the costs of raw materials for feeds. Meanwhile, the procurement system was improved. Procurement was planned according to production demands. We monitored price information of raw materials real-time and estimated costs to ensure thorough comparison was made. We purchased materials with high cost-effectiveness, raised procurement efficiency and also the profit of the enterprise. In this aspect, we selected suppliers which provide products of good quality at a low price by seeking numerous suppliers for price quotation, comparison and negotiation. Besides, the Company controlled its inventory in a reasonable approach to enhance the utilization rate of capital.

5. Improve on “safe production” and “biological safety”

Taking advantage of obtaining the qualification of “safe production with established standards national level two compliance enterprise”, the Company established a safe production regulation system which is scientifically sufficient and launched in-depth safe production management, including safety training on specific topics for production units, fire drills and distributing promotion materials on safe production. The Company was determined in understanding the operation management of existing environmental facilities and equipment at various production units. Meanwhile, the Company raised the awareness of food safety of all staff and further improved and implemented the management requirements of biological safety. Prevention and control of diseases in the breeding process such as sterilization and adjustment of broiler immunity program were strictly implemented. The Company actively explored prevention and cures of various diseases and also strengthened the on-site prevention and control of biological safety at the plants to eliminate potential threats and facilitate the healthy and sustainable development of the enterprise.

FINANCIAL REVIEW

1. Revenue

The following table sets out a breakdown of our revenue by product categories and their relative percentages of our total revenue during the reporting period and the corresponding period in 2014:

	For the six months ended 30 June				
	2015 <i>RMB'000</i>	% of total revenue	2014 <i>RMB'000</i>	% of total revenue	% change in revenue
Chicken meat products	371,960	59.9	322,564	60.8	15.3
Animal feeds	198,820	32.0	165,396	31.2	20.2
Chicken breeds	50,568	8.1	42,626	8.0	18.6
Total	621,348	100.0	530,586	100.0	17.1

Our total revenue increased by approximately 17.1% from approximately RMB530,586,000 for the six months ended 30 June 2014 to approximately RMB621,348,000 for the six months ended 30 June 2015, primarily due to the increase in the sales volume of chicken meat products and chicken breeds.

Chicken meat products

Revenue from sales of our chicken meat products business increased by approximately 15.3%, from approximately RMB322,564,000 for the six months ended 30 June 2014 to approximately RMB371,960,000 for the six months ended 30 June 2015, primarily as a result of the increase in the sales volume of our chicken meat products.

Animal feeds

Revenue from sales of our animal feeds business increased by approximately 20.2% from approximately RMB165,396,000 for the six months ended 30 June 2014 to approximately RMB198,820,000 for the six months ended 30 June 2015, primarily as a result of the increase in the average selling price and the sales volume of animal feeds.

Chicken breeds

Revenue from sales of our chicken breeds business increased by approximately 18.6% from approximately RMB42,626,000 for the six months ended 30 June 2014 to approximately RMB50,568,000 for the six months ended 30 June 2015, primarily due to the increase in the sales volume of chicken breeds.

2. Gross Profit and Gross Profit Margin

The following table sets out our total gross profit and gross profit margin by major product categories during the reporting period and the corresponding period in 2014:

	For the six months ended 30 June				
	2015 RMB'000	% of total gross profit	2014 RMB'000	% of total gross profit	% change in gross profit
Gross Profit					
Chicken meat products	2,556	6.3	5,469	15.6	(53.3)
Animal feeds	17,889	43.9	9,429	26.8	89.7
Chicken breeds	20,254	49.8	20,249	57.6	0.02
Total	<u>40,699</u>	<u>100.0</u>	<u>35,147</u>	<u>100.0</u>	<u>15.8</u>
				For the six months ended 30 June	
				2015	2014
				%	%
Gross Profit Margin					
Chicken meat products				0.7	1.7
Animal feeds				9.0	5.7
Chicken breeds				40.1	47.5
Overall				<u>6.6</u>	<u>6.6</u>

Gross profit increased by approximately 15.8% from approximately RMB35,147,000 for the six months ended 30 June 2014 to approximately RMB40,699,000 for the six months ended 30 June 2015. Our overall gross profit margin maintained at approximately 6.6% for both periods under review, primarily due to the stable average selling price of chicken meat products, combined with the escalating raw material prices and operating costs during the period under review.

Chicken meat products

Gross profit from our chicken meat products business decreased by approximately 53.3% from approximately RMB5,469,000 for the six months ended 30 June 2014 to approximately RMB2,556,000 for the six months ended 30 June 2015. The gross profit margin for our chicken meat products business decreased from approximately 1.7% for the six months ended 30 June 2014 to approximately 0.7% for the six months ended 30 June 2015. This was primarily due to the escalating raw material prices and higher operating costs during the period under review.

Animal feeds

Gross profit from our animal feeds business increased by approximately 89.7% from approximately RMB9,429,000 for the six months ended 30 June 2014 to approximately RMB17,889,000 for the six months ended 30 June 2015. The gross profit margin for our animal feeds business increased by approximately 3.3 percentage points for the period under review to 9.0% from 5.7% for the six months ended 30 June 2014. This was primarily due to the increase in the average selling price of animal feeds during the period under review.

Chicken breeds

Gross profit from our chicken breeds business remained relatively stable for the six months ended 31 June 2014 and 2015. The gross profit margin for our chicken breeds business decreased from approximately 47.5% for the six months ended 30 June 2014 to approximately 40.1% for the six months ended 30 June 2015. This was primarily due to the stable average selling price of chicken breeds combined with the increase in breeding costs during the period under review.

3. Other Revenue and Gains

Other revenue and gains decreased by approximately 22.1%, from approximately RMB12,507,000 for the six months ended 30 June 2014 to approximately RMB9,738,000 for the six months ended 30 June 2015, primarily as a result of the decrease in sales of side products and related products.

4. Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 10.8%, from approximately RMB14,680,000 for the six months ended 30 June 2014 to approximately RMB16,270,000 for the six months ended 30 June 2015, primarily as a result of the increase in sales volume and related transportation costs.

5. Administrative Expenses

Administrative expenses increased by approximately 44.9%, from approximately RMB27,168,000 for the six months ended 30 June 2014 to approximately RMB39,361,000 for the six months ended 30 June 2015, primarily as a result of the removal of the exemption of property tax and land tax for the six months ended 30 June 2015 whereas there was such exemption for the six months ended 30 June 2014 and the increase in salary, impairment of bad debt and professional fee incurred for placing and acquisition of subsidiary.

6. Finance Costs

Finance costs increased by approximately 60.1%, from approximately RMB5,760,000 for the six months ended 30 June 2014 to approximately RMB9,224,000 for the six months ended 30 June 2015, primarily as a result of the increase in bank borrowings.

7. Taxation

Taxation increased by approximately 9,770.6%, from a tax credit of approximately RMB17,000 for the six months ended 30 June 2014 to a tax expense of approximately RMB1,644,000 for the six months ended 30 June 2015, as a result of improvement of the profitability of the Group.

PROSPECTS

Multi-media and gaming business

We have successfully acquired 58% of issued ordinary share capital of Digital Extremes. The acquisition was completed on 21 July 2015 after satisfaction of all conditions under the acquisition (as amended by the Supplemental Agreement) have been fulfilled. Whilst we continue to vigorously promote the diversification of our business segments for future growth, the acquisition of a video game developer is an important first step for Leyou Technologies to become a globally diversified group, expanding beyond the poultry business into the video gaming industry. In particular, the Board sees the significant and growing demand in Asia in the video game industry, especially in China. We are confident that the addition of a strong video game developer to the Group's existing businesses will help diversify our earnings base, strengthen our foundation for future growth, and reinforce our vision as an internationally recognized enterprise.

The Group will continue to look into opportunities abroad in the multi-media and gaming industry to further enhance its income base to increase shareholders' value. We will consider cooperation and acquisition opportunities with companies that have distinguished products and can exemplify the technological innovation needed to bring our brand to another level.

By actively exploring these opportunities, we are confident about the Group's future development.

Poultry business

As a one-stop broiler breeding enterprise, we will maintain the stable operation of our five major segments (procurement, feeds, breeding, processing and sales). The flow of operation will be optimized gradually and management efficiency and quality will be enhanced further. Various production indicators will be improved so as to lay a solid foundation for comprehensive project development:

1. Effective control of raw materials procurement

We will continue to make efforts in cost control and procure products with the best value for money. With full understanding of market information, the focus should be on communication skills and bargaining strategy. Internal management should be strengthened and a well-organized supplier system should be established to ensure the prompt supply of raw materials. The Company will closely monitor market changes in order to reduce costs and control quality through multiple channels whenever possible. Existing suppliers should be retained while potential suppliers should be developed and nurtured to constantly strengthen our supplier system. The Company will cooperate with the warehouse actively to obtain full information about inventory in warehouse and the use of raw materials. Procurement shall not be conducted passively and inventory should be inspected timely to prevent overstocking.

2. Production of feeds

Production is organized according to requirements of Administrative Provisions on Feed Quality Safety implemented by the Ministry of Agriculture on 1 July. Treatment and technical modification of production procedures and facilities to reduce noise and dust are conducted to ensure personnel safety and production safety. Production personnel will be organized by the quality control department and technical department to receive training on the standards of feeds type for summer, including specific analysis and discussion on feeds type problems prone to packaged feeds for farms in the hot season. The production department has to be well-prepared in terms of concept, facilities and manpower to resolve the production needs of farms.

3. Breeding of breeder and broiler

The management of empty fence period will be further strengthened. Washing and sterilization will be carried out strictly. The process of introducing breeds will be regulated and technical service will be improved. The use of closed chicken breeds transportation vehicles is encouraged to strengthen the management of temperature and humidity of the vehicle to ensure the safety of chicken breeds being transported. On-site guidance and supervision for immunization will be strengthened to secure the certainty of immunization. There will be stronger training on ventilation management to guarantee that chickens can grow healthily in comfort without the interference of winds. Various reports should be collected in order to reflect immediately the growth of broilers in various stages and discover any problem as soon as it arises. Such problem should be traceable so that the technical center can rely upon for taking remedial measures. Safety management, which entails food safety, bio-safety and property safety, should be performed strictly. Food safety remains a problem as

breeding is done in a small scale under the large environment. All three safety issues must be addressed as they are the safeguards for one-stop production.

4. Slaughtering and processing of broiler

The Company will continue to improve the modification and maintenance of relevant equipment and facilities to ensure orderly production. The introduction of body count system will be explored and promoted. Refined management will be implemented and related production technique will be improved to enhance efficiency.

5. Sales of meat products

More efforts will be placed in market development with the focus on development of fast food products, expanding sales channels, increasing the share of high-price products in sales and enhancing the comprehensive value of products. All clients of the Company will be reviewed and quality clients will be grouped together with centralized control and tracking. More potential sales items will be explored to raise the sales volume to quality clients for maintaining close partnership. Tracking of the channel development of products with weaker sales channels will be emphasized in order to make breakthroughs in this area.

The Group as a whole will continue to keep alert of the development trend, take advantage of development opportunities and identify development focus vigilantly. The Group is unified with the same aspiration, which creates an atmosphere that can better realize value and attain efficiency. With advanced technology, a sound management model and all the key elements beneficial to the development of the enterprise, we can bring new vigor to increase the market value of our products as well as our revenue and efficiency.

LIQUIDITY AND FINANCIAL RESOURCES

Financial Resources

The Group generally finances its operations with internally generated cash flow and bank facilities for its capital requirements. As at 30 June 2015, cash and cash equivalents and pledged bank deposits amounted to approximately RMB589,680,000 (31 December 2014: approximately RMB136,396,000). The increase in cash and cash equivalents was mainly due to the proceeds received from the two placing dated 3 February 2015 and 24 April 2015.

Borrowings and Pledged Assets

As at 30 June 2015, the total amount of interest-bearing bank borrowings was approximately RMB305,113,000 (31 December 2014: approximately RMB257,820,000). All the Group's bank borrowings were denominated in Renminbi with interest rates ranged from 5.25% to 6.00% per annum.

As at 30 June 2015, the bank borrowings were secured by the Group's bank deposits, properties, plant and equipment and prepaid lease payments with total carrying value of approximately RMB123,525,000 (31 December 2014: approximately RMB121,100,000).

Gearing Ratio

As at 30 June 2015, the gearing ratio of the Group was approximately 17.6% (31 December 2014: approximately 28.5%). This was calculated by dividing interest-bearing bank borrowings with the total assets of the Group as at 30 June 2015. The decrease in the gearing ratio was mainly due to the increase in cash during the period under review.

FOREIGN EXCHANGE RISK

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The acquisition of 58% of the entire issued share capital of Digital Extremes Limited was approved by the shareholders of the Company at the extraordinary general meeting held on 27 January 2015. The transaction was subsequently completed on 21 July 2015.

Save as aforesaid, there was no material acquisition and disposal of subsidiaries and associated companies during the period under review.

CONTRACTUAL AND CAPITAL COMMITMENTS

As at 30 June 2015, the Group had contractual and capital commitments of approximately RMB51,113,000 (31 December 2014: approximately RMB50,544,000).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

HUMAN RESOURCES

As at 30 June 2015, the Group had 1,749 employees. Employee costs, including directors' emoluments, amounted to approximately RMB14,451,000 (30 June 2014: RMB8,852,000) for the six months ended 30 June 2015. All of the Group members are equal opportunity employers, with the selection and promotion of individuals based on their suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits for its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations in the PRC.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 January 2011 and after the exercise of the over-allotment options on 28 January 2011 amounted to approximately HK\$283.9 million (approximately RMB231.7 million). As at 31 December 2014, the net proceeds were applied in accordance with the proposed applications set out in the Prospectus and the announcement of the Company dated 28 November 2011 and 2 December 2014 respectively, as follows:

- Approximately RMB50 million was used to finance the costs of establishing our new breeders farms;
- Approximately RMB25 million was used to finance the costs of establishing our new hatching facilities;
- Approximately RMB28.2 million was used to finance the costs of establishing our broiler breeding farms;
- Approximately RMB99.0 million was used to finance the costs of establishing our new slaughtering and processing plant; and
- Approximately RMB29.5 million was used to finance the Group's general working capital and general corporate services.

On 2 February 2015, the Company entered into a placing agreement with Kingston Securities Limited as placing agent (the "Placing Agent"), pursuant to which the Placing Agent agreed to procure, on a best effort basis, places to subscribed for a maximum of 398,400,000 placing shares at a price of HK\$1.00 per placing share. The placing was completed on 16 February 2015, and an aggregate of 398,400,000 shares were issued and allotted to not less than six places under the general mandate granted to the Directors at the annual general meeting held on 6 June 2014. The Company raised a net proceed of HK\$388.44 million, the net price raised per share is HK\$0.975 per share. The proceeds have been fully utilized for funding part of the consideration for the acquisition of Digital Extremes Limited.

On 24 April 2015, the Company and the Placing Agent entered into a placing agreement, pursuant to which the Placing Agent to procure, on a best effort basis, places to subscribe for a maximum of 478,080,000 placing shares at a price of HK\$1.20 per placing shares. The placing was completed on 14 May 2015 and an aggregate of 478,080,000 shares were issued and allotted to less than six places under the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 24 March 2015. The Company raised a net proceeds of approximately HK\$559.21 million, the net price raised per share was approximately HK\$1.17. The proceeds will be utilized for funding part of the consideration for the acquisition of Digital Extremes Limited to the extent of HK\$150.96 million and the remaining balance will be utilized as general working capital for the Group.

OTHER INFORMATION

Corporate Governance

The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules. Save as disclosed below, the Company had been in compliance with the relevant provisions of the CG Code during the six months ended 30 June 2015.

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period under review, Mr. Lin Qinglin performed his duties as the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer in period of rapid business development is conducive to building a strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. Subsequently, Mr. Lin Qinglin has resigned as chief executive officer and Mr. Wang Haitong has been appointed as chief executive officer of the Company.

Review by Audit Committee

The Audit Committee has reviewed the interim report for the six months ended 30 June 2015 including the accounting policies and practices adopted by the Group with the management.

Model Code for Securities Transactions by Directors

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

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2015.

By order of the Board
Leyou Technologies Holdings Limited
Lin Qinglin
Chairman

Hong Kong, 26 August 2015

As at the date of this announcement, the Board comprises Mr. Lin Qinglin, Mr. Law Kin Fat, Mr. Wu Shiming, Mr. He Zhigang and Mr. Wong Ka Fai Paul as executive Directors, Mr. Eric Todd as non-executive Director, and Mr. Hu Chung Ming, Mr. Chau On Ta Yuen and Mr. Chan Chi Yuen as independent non-executive Directors.