THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in C.banner International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

C.banner International Holdings Limited
千百度國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1028)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

Exclusive Financial Adviser to the Company

citi

22 January 2016

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"A Shares"	A ordinary shares of £1.00 each in the capital of the Target Company
"Acquisition"	the acquisition of the Sale Shares by the Company
"Acquisition Facilities"	the credit facilities extended under the Acquisition Facility Agreement
"Acquisition Facility Agreement"	the facility agreement dated 17 November 2015 between, among others, the Company as borrower, Bank of China Limited, Jiangsu Branch as mandated lead arranger, Bank of China Limited, Macau Branch and Bank of China (Hong Kong) Limited as arrangers, and Bank of China Limited, Macau Branch as agent, for the aggregate principal amount of up to £80,000,000 (equivalent to approximately HK$952,380,952)
"Affiliate"	in relation to any body corporate, any holding company or subsidiary of such body corporate or any subsidiary of a holding company of such body corporate in each case from time to time
"B Shares"	B1 ordinary shares and B2 ordinary shares of £1.00 each in the capital of the Target Company
"Board"	the board of Directors
"Business Day"	a day other than a Saturday, Sunday or public holiday in England, France or the PRC
"C Shares"	C ordinary shares of £1.00 each in the capital of the Target Company
"CCC Fund"	China Consumer Capital Fund, L.P.
"CCC Fund II"	China Consumer Capital Fund II, L.P.
"Citi"	Citigroup Global Markets Asia Limited, the exclusive financial adviser to the Company in respect of the Acquisition
"Company"	C.banner International Holdings Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Main Board of the Stock Exchange (stock code: 1028)
"Completion"	completion of the sale and purchase of the Sale Shares

"Completion Shareholder Loan"	the shareholder loan granted by the Company to the Target Company in the amount of approximately £31,421,016 (equivalent to approximately HK$374,059,714) pursuant to a loan note dated 25 November 2015 issued by the Target Company
"Conditions Precedent"	the conditions precedent set forth in the section entitled "Conditions Precedent" in this circular
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the aggregate consideration for the sale of the Sale Shares payable to the Sellers
"Deposit"	the deposit in the sum of £10,000,000 payable by the Company to the Sellers pursuant to the Share Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"GBP" or "£"	Pounds Sterling, the lawful currency of the United Kingdom
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hongguo International"	Hongguo International Group Limited, a company incorporated in the British Virgin Islands with limited liability
"IFRS"	International Financial Reporting Standards
"Individual Sellers"	the individual sellers to the Share Sale and Purchase Agreement, who are the directors and/or management of the Target Group Companies
"Intercreditor Agreement"	the intercreditor agreement dated 17 November 2015 entered into between, among others, the Company as debtor, and Bank of China Limited, Macau Branch as senior agent and offshore security agent
"Junior Shareholder Loan"	the £18,000,000 (equivalent to approximately HK$214,285,714) intra group loan agreement between the Target Company and Ludendo dated 17 September 2012
"Latest Practicable Date"	18 January 2016, being the latest practicable date prior to the printing of this circular, for ascertaining certain information for inclusion in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	15 November 2015 or such later date as the Company may notify in writing to the Seller's Representatives or the Sellers' Representatives may notify in writing to the Company, such date, in each case, to fall no later than 7 calendar days immediately following 15 November 2015
"Ludendo"	Ludendo Entreprises SAS
"Ludendo Group"	Ludendo Entreprises SAS and all of its Affiliates but, from Completion, excluding the Target Group Companies
"Mr. Chen"	Mr. Chen Yixi, a shareholder, an executive director and the chairman of the Board of the Company
"Mr. Miao"	Mr. Miao Bingwen, a shareholder and a non-executive director of the Company
"Mr. Wu"	Mr. Wu Guangze, a shareholder and a non-executive director of the Company
"percentage ratio(s)"	the percentage ratio(s) set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
"PRC"	the People's Republic of China, for the purpose of this circular, not including Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the A Shares, B Shares and C Shares, representing the entire issued share capital of the Target Company
"Satisfaction Notices"	the written notice: (a) from the Company to the Sellers' Representatives and the Target Company confirming the satisfaction of all of the conditions to Completion set out in paragraph (1) in the section headed "Conditions Precedent" of this circular; and (b) from the Sellers' Representatives to the Company confirming the satisfaction of all of the conditions to Completion set out in paragraph (2) in the section headed "Conditions Precedent" of this circular, and either one shall be defined as a "Satisfaction Notice"

"Sellers"	the sellers to the Share Sale and Purchase Agreement, comprising Ludendo and the Individual Sellers
"Seller's Representatives"	Ludendo Entreprises SAS and one of Gudjon Reynisson or Alasdair Dunn
"Senior Shareholder Loan"	the £12,000,000 (equivalent to approximately HK$142,857,143) intra group loan agreement between the Target Company and Ludendo dated 17 September 2012
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Sale and Purchase Agreement"	the Share Sale and Purchase Agreement entered into on 29 October 2015 between the Company and the Sellers in relation to the Acquisition
"Share(s)"	the share(s) of the Company
"Shareholder(s)"	person(s) whose name(s) appear on the register of members of the Company as registered holder(s) of Share(s)
"Shareholder Loans"	the Senior Shareholder Loan and the Junior Shareholder Loan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it by the Listing Rules
"Sure Manage"	Sure Manage Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"Target Company"	Hamleys Global Holdings Limited (formerly known as Ludendo Enterprises UK Limited)
"Target Group" or "Hamleys"	the Target Group Companies, taken as a whole
"Target Group Companies"	the Target Company and the subsidiaries of the Target Company, and "Target Group Company" shall mean any of them
"Working Capital Facility Agreement"	the facility agreement dated 17 November 2015 between the Company as borrower and Bank of China Limited, Macau Branch as lender, for the principal amount of up to £10,000,000 (equivalent to approximately HK$119,047,619)
"%"	per cent

For the purpose of this circular, the conversion of GBP into HK$ is made based on the approximate exchange rate of HK$1.00 to GBP0.084 for illustration purpose only.

C.banner International Holdings Limited
千百度國際控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1028)

Executive Directors:
Mr. CHEN Yixi *(Chairman)*
Mr. HUO Li
Mr. XU Tingyu *(Chief Financial Officer)*
Mr. ZHAO Wei *(President)*

Non-executive Directors:
Mr. MIAO Bingwen
Mr. WU Guangze

Independent non-executive Directors:
Mr. KWONG Wai Sun Wilson
Mr. LI Xindan
Mr. ZHANG Zhiyong
Mr. ZHENG Hongliang

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
Unit 2904, 29th Floor
Far East Finance Center
16 Harcourt Road
Hong Kong

22 January 2016

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

Exclusive Financial Adviser to the Company

citi

INTRODUCTION

References are made to the announcements of the Company dated 22 October 2015, 29 October 2015, 25 November 2015 and 31 December 2015 in relation to the Acquisition.

As announced by the Company on 29 October 2015, on 29 October 2015 (after trading hours), the Company and the Sellers entered into a Share Sale and Purchase Agreement, pursuant to which each of the Sellers conditionally agreed to sell, and the Company conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company for a cash consideration of GBP100,000,000 (equivalent to approximately HK$1,190,476,190) (less an amount equal to certain outstanding balance of the Shareholder Loans at Completion, details of which are set out below).

As announced by the Company on 25 November 2015, the Company has obtained a written approval of the Share Sale and Purchase Agreement and the transactions contemplated thereunder from a closely allied group of Shareholders comprising such Shareholders as stated in the announcement dated 29 October 2015 who together hold more than 50% of the issued share capital of the Company carrying rights to vote at a general meeting. As disclosed in the announcement dated 29 October 2015, such written shareholders' approval shall be accepted to approve the Acquisition in lieu of a general meeting pursuant to Rule 14.44 of the Listing Rules. Following which, all Conditions Precedent to the Acquisition have been satisfied and Completion took place on 25 November 2015 in accordance with the Share Sale and Purchase Agreement. Upon Completion, the Target Company, which owns and operates leading toy retailer brand "Hamleys", became a wholly-owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Company will be consolidated into the financial statements of the Company.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition and the transactions contemplated thereunder; (ii) the financial and other information of the Group; (iii) the financial information of the Target Group; and (iv) the unaudited pro forma financial information of the enlarged Group upon Completion.

THE SHARE SALE AND PURCHASE AGREEMENT

Date

29 October 2015 (after trading hours)

Parties

(1) The Company, as the purchaser

(2) The Sellers, as the sellers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Sellers and its respective ultimate beneficial owner(s) (if applicable) are independent of the Company and connected persons of the Company.

Subject of the Acquisition

Pursuant to the Share Sale and Purchase Agreement, each of the Sellers conditionally agreed to sell, and the Company conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company. The Target Company is a company incorporated in England and, together with its subsidiaries, is a retailer of high-end toys under the world-renowned brand "Hamleys". Further details of the Target Company are set forth in the section headed "Information on the Target Company" in this letter.

Consideration

Pursuant to the Share Sale and Purchase Agreement, Consideration payable by the Company to the Sellers shall be the sum of GBP100,000,000 (equivalent to approximately HK$1,190,476,190) in cash, less (i) an amount equal to the outstanding balance of the Junior Shareholder Loan at Completion, and (ii) an amount equal to the outstanding balance of the Senior Shareholder Loan at Completion in excess of GBP5,000,000 (equivalent to approximately HK$59,523,809), which shall be paid in the following manner:

(1) a sum of GBP10,000,000 (equivalent to approximately HK$119,047,619) in cash, being the Deposit, has been paid and deposited with the Sellers' solicitors on 29 October 2015; and

(2) the remaining balance of the Consideration shall be paid to the Sellers' solicitors at Completion.

The Deposit shall be non-refundable and save only where Completion does not occur (i) because of a failure by the Sellers to satisfy the conditions precedent set out in paragraph (2) in the section headed "Conditions Precedent" of this letter on or before the Long Stop Date; or (ii) because the Share Sale and Purchase Agreement is terminated by the Company for any reason set out in paragraph (3) in the section headed "Termination" of this letter.

The Consideration shall be deemed to be reduced or increased, to the extent legally possible, by any payment made by the Sellers to the Company under or in respect of any breach of the Share Sale and Purchase Agreement (including, without limitation, in respect of any claim for breach of the warranties given by the Sellers in the Share Sale and Purchase Agreement or in respect of any leakage payments (other than permitted leakage as agreed by the Company and the Sellers in the Share Sale and Purchase Agreement) during 28 February 2015 to the date of Completion or the tax indemnity given by the Sellers pursuant to a deed of covenant to be entered into at Completion).

As announced by the Company on 25 November 2015, Completion took place on 25 November 2015 in accordance with the Share Sale and Purchase Agreement. At Completion, the aggregate outstanding balance of the Junior Shareholder Loan and the Senior Shareholder Loan (in excess of GBP5,000,000) (which amounted to approximately GBP24,758,013 (equivalent to approximately HK$294,738,250) immediately prior to Completion) was reduced to zero through the repayment in full by the Target Company of the Junior Shareholder Loan and the Senior Shareholder Loan using part of the Completion Shareholder Loan (details of the Completion Shareholder Loan are disclosed in the section headed "Completion" in this letter). No other adjustment was made to the Consideration pursuant to the terms of the Share Sale and Purchase Agreement. Therefore, the final Consideration of the Acquisition was GBP100,000,000.

Satisfaction of the Consideration

The Company has satisfied the Consideration at Completion using its internal resources and external credit facilities from reputable international banks. GBP20,000,000 (equivalent to approximately HK$238,095,238) of the Consideration was paid out of the Company's internal resources, while the remaining GBP80,000,000 (equivalent to approximately HK$952,380,952) of the Consideration was financed by the Acquisition Facilities.

The Acquisition Facilities have an aggregate principal amount of GBP80,000,000 (equivalent to approximately HK$952,380,952), bearing an interest at a floating rate of 3-month LIBOR plus margin. The term of the Acquisition Facilities is 36 months, with an option to extend to approximately 60 months. The Acquisition Facilities are repayable in biannual instalments, with the first instalment repayable 18 months after the drawdown date and the last instalment repayable at the date of maturity. The collaterals provided for the Acquisition Facilities include: (i) charges over the shares in each of the members of the enlarged Group (except Jiangsu Mega Footwear Co., Ltd. (江蘇美嘉鞋業有限公司) which is indirectly held as to 51% by the Company) granted by their respective shareholder(s); (ii) a charge granted by the Company over a debt service reserve account and a mandatory prepayment account held by the Company in connection with the Acquisition Facilities; and (iii) a security granted by the Company over the Completion Shareholder Loan (details of the Completion Shareholder Loan are disclosed in the section headed "Completion" of this letter).

Pursuant to the Acquisition Facility Agreement, the Company entered into the Intercreditor Agreement which provides, among other things, that the Acquisition Facilities (and any liabilities arising thereunder or in connection therewith) shall rank *pari passu* among themselves and shall rank above any intra group liabilities between members of the Group.

In addition, the Company also entered into the Working Capital Facility Agreement in order to strengthen the liquidity and support the business operations of the Target Group following Completion. The credit facility extended under the Working Capital Facility Agreement has a principal amount of GBP10,000,000 (equivalent to approximately HK$119,047,619), bearing an interest at a floating rate of 3-month LIBOR plus margin, is repayable in full upon 12 months after the drawdown date, and is unsecured.

The Directors consider that the Company's entering into of the Acquisition Facility Agreement, the Intercreditor Agreement and the Working Capital Facility Agreement would not have any material adverse impact on the business performance and financial position of the Company.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Sellers, having taken into account the historical financials of the Target Company and other customary valuation methodologies such as public comparable analysis and precedent transactions. The Consideration represents a firm-value-to-EBITDA ratio of approximately 14.1x, based on the Target Company's 2014 "adjusted" EBITDA[1]. The firm-value-to-EBITDA ratio was determined with reference to (a) the firm-value-to-EBITDA ratio of approximately 12.4x implied by the acquisition of Toys R Us Japan by Toys R Us in 2009; and (b) the firm-value-to-EBITDA ratios[2] of comparable listed international toy retailing companies[3] with the median of approximately 11.8x.

In addition, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and its shareholders as a whole, taking into account:

(i) the Target Company as one of the most reputable toy retailer will be able to take advantage of its brand premium in the industry to capture growth potential; while its premium market positioning and focus on creating enjoyable shopping experience enable it to stand out from competition with other toy retailers;

(ii) the Company expects to realise synergies as a result of the Acquisition through, among others, (a) improvement of IT spending and corporate function efficiencies through cost-saving initiatives including shared services and back office combinations; (b) potential cross-selling benefits from store integration; and (c) expanded management expertise; and

(iii) the international expansion prospect of the Target Company includes both self-operating and franchising opportunities, while the Target Company has a long history of operating toy stores and its management team has successfully implemented the overseas expansion projects in recent years.

1. The Target Company's 2014 "adjusted" EBITDA is calculated by dividing the EBITDA for the financial year ended 28 February 2015 by 14 and multiplied by 12 for calendarization.

2. Source: Factset, as of October 19, 2015.

3. Including Hasbro, Inc. (HAS-US), and Mattel, Inc. (MAT-US).

Conditions Precedent

Completion is conditional upon each of the following conditions being satisfied before Completion:

(1) the approval by a majority of the Shareholders for the Share Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and

(2) the approval of the sale of the Sale Shares to the Company and the release of the existing encumbrances over the Sale Shares and the Target Group Companies assets by Ludendo Group's bank lenders and Ludendo mezzanine bondholders and the execution of the relevant documentation in connection with the financing of the Ludendo Group.

Under the Share Sale and Purchase Agreement, the Sellers have undertaken to procure that between the date of the Share Sale and Purchase Agreement and Completion, each of the Target Group Companies shall carry on its business as a going concern in the ordinary and usual course as carried on prior to the date of the Share Sale and Purchase Agreement.

As announced by the Company on 25 November 2015, all Conditions Precedents to the Share Sale and Purchase Agreement have been satisfied prior to Completion which took place on 25 November 2015.

Completion

Completion shall take place on the 5th Business Day following the date of receipt of the last Satisfaction Notice or at such other time, or date as may be agreed by the Seller's Representative and the Company. The sale and purchase of all the Sale Shares shall be completed simultaneously, otherwise the Company shall not be obliged to complete the purchase of any of the Sale Shares and the Sellers shall not be obliged to sell any of the Sale Shares.

At Completion,

(1) the Sellers and the Company shall deliver or cause to be delivered to the other the conditions precedent documents as provided in the Share Sale and Purchase Agreement (the Company receiving them, where appropriate, as agent for the Target Company or the subsidiaries of the Target Company);

(2) the Company shall procure that the Target Company repays in cash in full (i) the balance due on the Junior Shareholder Loan; and (ii) the balance in excess of GBP5,000,000 (equivalent to approximately HK$59,523,809) due on the Senior Shareholder Loan. Further, the balance of the Senior Shareholder Loan (including any accrued but unpaid interest) shall be settled in full by the Target Company (or a Target Group Company if so directed) on or immediately after completion; and

(3) the Company shall arrange for the telegraphic transfer by CHAPS of an amount in cash equal to the Consideration (less the Deposit) to an account designated by the Sellers which, together with the Deposit, shall be applied in satisfying the aggregate consideration payable to the Sellers in respect of the Sale Shares and receipt of which shall discharge the Company from its obligation to pay the Consideration to the Sellers.

As announced by the Company on 25 November 2015, Completion took place on 25 November 2015 in accordance with the Share Sale and Purchase Agreement. At Completion, the Junior Shareholder Loan and the portion of the Second Shareholder Loan that is in excess of GBP5,000,000 (which together amounted to GBP24,758,013 (equivalent to approximately HK$294,738,250) immediately prior to Completion) were repaid in full by the Target Company using part of the Completion Shareholder Loan. In addition, the Company has provided additional funding (being the remaining part of the Completion Shareholder Loan) of an amount of approximately GBP6,663,003 (equivalent to approximately HK$79,321,464) to the Target Company for the repayment of the remaining outstanding balance of the Senior Shareholder Loan (namely, GBP5,000,000) and other related charges owed by the Target Company to Ludendo Group.

The Completion Shareholder Loan has a principal amount of GBP31,421,016 (equivalent to approximately HK$374,059,714), bearing an interest at a rate of 5.5% per annum, is repayable in full no later than its 3rd anniversary date, and is unsecured.

Upon Completion, the Target Company, which owns and operates leading toy retailer brand “Hamleys”, became a wholly-owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Company will be consolidated into the financial statements of the Company.

Termination

The Share Sale and Purchase Agreement may be terminated at any time prior to Completion by the delivery of written notice to the other parties to the Share Sale and Purchase Agreement:

(1) by written mutual consent of the Sellers’ Representatives and the Company unless the Company and the Sellers’ Representatives agree otherwise in writing;

(2) automatically if any of the Conditions Precedent is not satisfied on or prior to 11:59 p.m. (London time) on the Long Stop Date; or

(3) by the Company if at any time prior to Completion:

a. any of Gudjon Reynisson and/or Alasdair Dunn resigns from his employment with any Target Group Company or receives notice of termination of employment from any Target Group Company;

b. any of the two key leases of the Target Company is lawfully terminated in accordance with the terms of such lease or is assigned or transferred to any person other than a Target Group Company;

c. the Sellers are in breach of any key warranty provided in the Share Sale and Purchase Agreement (or would be if such key warranties were repeated at that time); or

d. any key trade mark registration as provided in the Share Sale and Purchase Agreement is assigned, transferred or exclusively licensed, or is the subject of any agreement to assign, transfer or exclusively license, to a third party, or any of such key trade mark registrations is withdrawn or expires or, save as disclosed in the Share Sale and Purchase Agreement, is the subject of any action or proceedings by a third party (i.e. not a member of the Target Group) for opposition, amendment, revocation, cancellation, invalidity or surrender, where in the opinion of the Company (acting reasonably and in good faith) such action or proceedings would have a material adverse effect on the financial or trading position of the Target Group Companies as a whole.

None of the above-mentioned termination events had occurred at any time prior to Completion.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in England and, together with its subsidiaries, is a retailer of high-end toys under the world-renowned brand “Hamleys”.

According to the audited financial statements of the Target Company prepared in accordance with IFRS, the total asset value and the net asset value of the Target Company as at 28 February 2015 were approximately £95.29 million (equivalent to approximately HK$1,134.40 million) and £36.40 million (equivalent to approximately HK$433.33 million), respectively.

According to the audited financial statements of the Target Company prepared in accordance with IFRS, the revenue, EBITDA[1] and net profits before and after taxation of the Target Company for the financial years ended 31 December 2013 and 28 February 2015[2] are as follows:

	For the financial year ended 31 December 2013	**For the financial year ended 28 February 2015[2]**
Revenue	GBP52.98 million (equivalent to approximately HK$630.71 million)	GBP68.02 million (equivalent to approximately HK$809.76 million)
EBITDA[1]	GBP7.18 million (equivalent to approximately HK$85.48 million)	GBP8.30 million (equivalent to approximately HK$98.81 million)
Profit before taxation[3]	GBP1.48 million (equivalent to approximately HK$17.62 million)	GBP2.20 million (equivalent to approximately HK$26.19 million)
Profit after taxation[3]	GBP2.28 million (equivalent to approximately HK$27.14 million)	GBP1.66 million (equivalent to approximately HK$19.76 million)

1. For the purposes of this circular, EBITDA is defined as earnings before interest expenses, taxation, depreciation and amortization.

2. On 25 June 2015, the Target Company changed its financial year end from 31 December to 28 February in the financial year ended 28 February 2015, which consists of 14 months from 1 January 2014 to 28 February 2015.

3. These profit figures have taken into account interest expense on the Shareholder Loans, which amounts to GBP1.59 million (equivalent to approximately HK$18.93 million) for the financial year ended 31 December 2013 and GBP1.86 million (equivalent to approximately HK$22.14 million) for the financial year ended 28 February 2015. On the basis that the Shareholder Loans have been fully repaid upon Completion, such interest expense will not recur after Completion.

INFORMATION ON THE COMPANY AND THE SELLERS

The Group is a leading retailer of mid-to-premium women's formal and casual footwear in the PRC. It distributes self-developed brands and licensed brands products through department stores and independent retail stores in different cities, ranging from first-tier to third-tier cities in the PRC, and is also proactive in developing online business as to further expand its customer base as well as sales and distribution network. In addition, the Company also acts as an OEM or ODM manufacturer for international shoes companies dealing in export markets. Striving to be the leading branded group of mid-to-premium ladies' footwear in the PRC, the Group upholds a diversified brand strategy and product portfolio as to diversify its footwear offerings and enter diversified market segments. The Company is popular for its brand values of elegance, charm and fashionable in the market, and operates four self-developed brands, including C.banner, EBLAN, sundance and MIO, and four licensed brands, including naturalizer, ASH, JC Collezione and United Nude.

Ludendo is a company incorporated in France. It is engaged in retail of toys.

The Individual Sellers are a group of individuals who work as the directors and/or management of the Target Group Companies, some of whom are the trustees of the respective trusts or entities associated with such persons.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company became a wholly-owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Company will be consolidated into the financial statements of the Company.

Effect on assets and liabilities

The Group had unaudited total assets, total liabilities and net assets of approximately RMB2,236.0 million, RMB576.0 million and RMB1,659.9 million respectively as at 30 June 2015. As set out in Appendix IV to this circular, the assets and liabilities of the Group and the Target Company are combined using their existing book values from the Group's perspective. As shown in Appendix IV to this circular, the unaudited pro forma total assets value, total liabilities value and net assets value of the enlarged Group as if Completion had taken place on 30 June 2015 were approximately RMB3,103.5 million, RMB1,463.9 million and RMB1,639.6 million, respectively. Further details of the unaudited pro forma financial information of assets and liabilities of the enlarged Group are set out in Appendix IV to this circular.

Effect on earnings

As set out above, the Target Company became a wholly-owned subsidiary of the Company upon Completion and the financial results of the Target Company will be consolidated into the financial statements of the Company. As the Target Company is one of the world's best-known retailers of toys, the executive Directors consider that the Acquisition would enhance the Group's revenue base and have a positive impact on the Group's revenue and earnings.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and sale of mid-to-premium ladies' footwear. The Company is committed to continuing to develop its existing footwear business with a focus on the mid-to-premium ladies' footwear market and is optimistic about the prospects of the footwear industry in the long term. As a leading retailer in the footwear industry, the Company considers that a strong brand is an exceptionally powerful resource in delivering a competitive advantage in terms of the marketing and sales of products, which is clearly evidenced by its self-developed brands such as "C.banner". As such, the Company intends to pursue a new global branding strategy coupled with a business diversification development plan and believes that, leveraging on the brand recognition effect of world-renowned brands, the Company could further develop and diversify its business. The Acquisition of the Target Company, which owns and operates leading toy retailer brand "Hamleys", would mark an important first step towards the implementation of the Company's global branding strategy. As one of the world's best-known retailers of toys, Hamleys provides customers with unique shopping experience leveraging on its reputation and brand heritage. The Regent

Street flagship store in London is considered one of the city's major tourist attractions. Throughout the years, by leveraging its franchising model, Hamleys has also successfully expanded throughout Europe, Middle East and Asia.

After Completion, the Company will actively explore areas of cooperation among the respective existing businesses of the Target Company and of the Company with a view to achieving greater synergy among them and in turn enhance the competitive strength of the Company. In particular, the Company will look to:

(a) consolidate the Company and Hamleys to form a larger integrated retail platform with diversified businesses;

(b) leverage on the Company's know-how of retail operation in China and long-term relationships with wholesalers to quickly develop Hamleys' Chinese business, in the background of China's transition to a consumption-driven economy;

(c) acquire additional managerial expertise from Hamleys, who are professional managers with international background and extensive expertise in global retail industry, which can contribute significantly to the Company's future overseas expansion and further business acquisitions; and

(d) improve IT spending and corporate functions efficiencies through cost-saving initiatives including shared services and back offices combinations.

As a next step in the implementation of the Company's global branding strategy, leveraging both its position and experience in the retail industry and the addition of the "Hamleys" brand, the Company plans to expand its business with a focus on retail premises such as department stores. The Company may consider establishing in-depth cooperation with various department store channels allowing the Company to leverage on their retail platforms to further develop the Hamleys' brand and at the same time expand the department store's product offerings via introduction of toys and children's products. In this regard, the Company is exploring different options for a strategic business partnership with House of Fraser, a leading premium department store in the United Kingdom and Ireland. The Company believes that such strategic partnership would deliver greater synergy with both its existing products and "Hamleys" products and contribute significantly to the Company's global branding strategy. As of the Latest Practicable Date, no definitive proposal has been made to and no written agreement has been entered into with any department store in respect of such initiative. In the event that there is any further development in this respect, the Company will make further announcement(s) in accordance with the requirements of the Listing Rules.

In the future, the Company will continue to actively explore business opportunities in and outside the PRC by way of, among others, mergers and acquisition, strategic cooperation as well as establishing other business relationships with leading retailer brands with a view to further implementing its global branding strategy.

Taking into consideration of the above, the Directors consider that the terms of the Share Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

On 17 November 2015, the Company obtained a written approval of the Share Sale and Purchase Agreement and the transactions contemplated thereunder from a closely allied group of Shareholders, who together hold approximately 50.81% of the issued share capital of the Company carrying rights to vote at a general meeting, comprising:

(i) Hongguo International, which is wholly owned by Mr. Chen and holds 749,871,470 Shares as of 17 November 2015, representing approximately 36.02% of the issued share capital of the Company as of the Latest Practicable Date;

(ii) Sure Manage, which is wholly owned by Mr. Miao and holds 160,000,000 Shares as of 17 November 2015, representing approximately 7.68% of the issued share capital of the Company as of the Latest Practicable Date;

(iii) CCC Fund, controlled by Mr. Wu, which holds 52,986,600 Shares as of 17 November 2015, representing approximately 2.54% of the issued share capital of the Company as of the Latest Practicable Date;

(iv) CCC Fund II, controlled by Mr. Wu, which holds 71,046,799 Shares as of 17 November 2015, representing approximately 3.41% of the issued share capital of the Company as of the Latest Practicable Date; and

(v) Mr. Wu who holds 24,000,000 Shares as of 17 November 2015, representing approximately 1.15% of the issued share capital of the Company as of the Latest Practicable Date.

Mr. Chen and Mr. Miao were the promoters of the Company and have been shareholders of the Company since August 2002. Mr. Wu, through CCC Fund, became a shareholder of the Company in January 2012. Mr. Chen, Mr. Miao and Mr. Wu are all members of the Board and have been actively involved in the strategic business development of the Company. In addition to their co-investment in the Company, Mr. Chen and Mr. Wu also enjoy a close business relationship in a number of other business ventures. Mr. Chen, Mr. Miao and Mr. Wu have been voting in the same way on all resolutions at the Board meetings of the Company and the members of the closely allied group of Shareholders have been voting in the same way on all shareholders' resolutions of the Company since CCC Fund became a Shareholder.

In addition, as no Shareholder has a material interest in the Acquisition, none of the Shareholders would be required to abstain from voting if the Company were to convene a general meeting to approve the Acquisition and the transactions contemplated thereunder. Accordingly, the aforesaid written shareholders' approval shall be accepted to approve the Acquisition in lieu of a general meeting pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company has been convened to approve the Share Sale and Purchase Agreement and the transactions contemplated thereunder. Completion of the Acquisition took place on 25 November 2015.

Yours faithfully,
By order of the Board
C.banner International Holdings Limited
Chen Yixi
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2012, 2013 and 2014 and the unaudited financial information of the Group for the six months ended 30 June 2015, together with the relevant notes thereto are disclosed in the following documents:

- interim report of the Company for the six months ended 30 June 2015 published on 29 September 2015 (pages 30 to 60);

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0929/LTN20150929358.pdf

- annual report of the Company for the year ended 31 December 2014 published on 28 April 2015 (pages 61 to 144);

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0428/LTN201504281273.pdf

- annual report of the Company for the year ended 31 December 2013 published on 28 April 2014 (pages 58 to 144); and

  http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0428/LTN20140428558.pdf

- annual report of the Company for the year ended 31 December 2012 published on 26 April 2013 (pages 54 to 144).

  http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0426/LTN20130426520.pdf

2. STATEMENT OF INDEBTEDNESS

As at 30 November 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the enlarged Group comprise the following:

	As at 30 November 2015 *RMB'000*
Unsecured and guaranteed:	
Short-term bank loan	96,149
Secured and guaranteed:	
Long-term bank loan	769,192
Unsecured and unguaranteed:	
Bank overdraft	32,979
Short-term former shareholder loan	4,807
Short-term financial lease payables	4,499
Long-term financial lease payable	7,952
Sub-total	50,237
Total borrowing	915,578

Save as disclosed above or as otherwise mentioned herein, and apart from intragroup liabilities and normal accounts payables in the ordinary course of business, as at 30 November 2015, the enlarged Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, and term loans, other borrowings or indebtedness in the nature of borrowing including liabilities under acceptances or acceptance credits or hire purchase commitments, and any mortgages and charges, guarantees and material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the enlarged Group (including the Group's internally generated funds and the effect of the Acquisition), in the absence of unforeseeable circumstances, the enlarged Group will have sufficient working capital for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As mentioned under the paragraph headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board in this circular, the Company intends to pursue a new global branding strategy coupled with a business diversification development plan and believes that, leveraging on the brand recognition effect of world-renowned brands, the Company could further develop and diversify its business. The Acquisition of the Target Company, which owns and operates leading toy retailer brand "Hamleys", marks an important first step towards the implementation of the Company's global branding strategy.

As a next step in the implementation of the Company's global branding strategy, leveraging both its position and experience in the retail industry and the addition of the "Hamleys" brand, the Company plans to expand its business with a focus on retail premises such as department stores. The Company may consider establishing in-depth cooperation with various department store channels allowing the Company to leverage on their retail platforms to further develop the Hamleys' brand and at the same time expand the department store's product offerings via introduction of toys and children's products.

Hamleys has been pursuing a strategy of global expansion for a number of years, primarily using a franchise model for stores outside its home market of the United Kingdom and Ireland, where it operates its own stores. Hamleys has successfully opened stores in territories across the world, including the Middle East, Russia, India, South Africa, Malaysia, Singapore and Mexico. Hamleys is currently working on projects to enter further territories, including the PRC. In addition, Hamleys has developed a format strategy enabling the brand to grow in multiple formats, from airports to shopping malls to department stores to the new Hamleys World concept containing toy-themed attractions, the first of which opened in Moscow in 2015. Hamleys pursues a product strategy where it develops own brand and private label ranges in selected product areas, offering a point of differentiation.

In the future, the Company will continue to actively explore business opportunities in and outside the PRC by way of, among others, mergers and acquisition, strategic cooperation as well as establishing other business relationships with leading retailer brands with a view to further implementing its global branding strategy.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report, received from the Target Group's reporting accountants, KPMG LLP, in respect of the historical financial information of the Target Group, for the purpose of incorporation in this Circular.

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

22 January 2016

The Board of Directors
C.banner International Holdings Limited

Dear Sirs,

Introduction

We set out below our report on the consolidated financial information relating to Hamleys Global Holdings Limited and its subsidiaries (the "Target Group") which comprise the consolidated statements of financial position of the Target Group as at 31 December 2012, 31 December 2013, 28 February 2015 and 31 August 2015 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for the period from the date of incorporation to 31 December 2012, the year ended 31 December 2013, the 14 month period ended 28 February 2015 and the 6 month period ended 31 August 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in the circular of C.banner International Holdings Limited (the "Company") dated 22 January 2016 (the "Circular") in connection with the proposed acquisition of the Target Group by the Company (the "Proposed Acquisition").

Hamleys Global Holdings Limited was incorporated in England and Wales on 3 August 2012 as a private limited company under the UK Companies Act 2006. Hamleys Global Holdings Limited prepares its consolidated financial statements comprising Hamleys Global Holdings Limited and its subsidiaries in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"). Hamleys Global Holdings Limited prepared its first set of financial statements for the period from incorporation to 31 December 2012, followed by the year ended 31 December 2013. On 25 June 2015 Hamleys Global Holdings Limited changed its financial year end date to align with its current parent company and on that basis prepared financial information for the 14 month period to 28 February 2015. Details of the companies comprising the Target Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 10 of Section B. The statutory financial statements of these companies were prepared in accordance with UK GAAP.

The directors of Hamleys Global Holdings Limited have prepared the consolidated financial statements for the Relevant Periods (the "Underlying Financial Statements") in accordance with IFRS. The Underlying Financial Statements for the period ended 31 December 2012, the year ended 31 December 2013, the 14 months ended 28 February 2015 and the 6 months ended 31 August 2015 were audited by KPMG LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular in connection with the Proposed Acquisition based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility For The Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Group in respect of any period subsequent to 31 August 2015.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Group as at 31 December 2012, 31 December 2013 and 28 February 2015 and 31 August 2015 and of the Target Group's financial performance and cash flows for the Relevant Periods then ended.

Corresponding Financial Information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income for the 6 months ended 31 August 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Note	5 months period ended 31 December 2012	Year ended 31 December 2013	14 months period ended 28 February 2015	6 months period ended 31 August 2014 (unaudited)	6 months period ended 31 August 2015
		£000	*£000*	*£000*	*£000*	*£000*
Revenue	*1, 4*	22,965	52,984	68,015	26,619	28,941
Cost of sales		(10,684)	(22,628)	(30,187)	(11,597)	(12,975)
Gross profit		12,281	30,356	37,828	15,022	15,966
Sales and distribution expenses		(5,905)	(17,763)	(23,132)	(9,909)	(10,342)
Administrative expenses		(3,267)	(9,022)	(10,394)	(4,814)	(5,273)
Operating profit/(loss)	*1*	3,109	3,571	4,302	299	351
Financial income	*6*	–	35	272	20	30
Financial expenses	*6*	(664)	(2,126)	(2,378)	(1,056)	(1,099)
Net financing expense		(664)	(2,091)	(2,106)	(1,036)	(1,069)
Profit/(loss) before tax		2,445	1,480	2,196	(737)	(718)
Taxation	*7*	(967)	797	(532)	79	8
Profit/(loss) for the period		1,478	2,277	1,664	(658)	(710)

OTHER COMPREHENSIVE INCOME

	Note	5 months period ended 31 December 2012	Year ended 31 December 2013	14 months period ended 28 February 2015	6 months period ended 31 August 2014 (unaudited)	6 months period ended 31 August 2015
		£000	*£000*	*£000*	*£000*	*£000*
Profit/(loss) for the period		1,478	2,277	1,664	(658)	(710)
Other comprehensive income/ (expense)						
Items that are or may be recycled subsequently to profit or loss:						
Foreign currency translation differences – foreign operations		114	31	(262)	(143)	(51)
Income tax on items that are or may be recycled subsequently to profit or loss	*11*	–	–	–	–	–
		114	31	(262)	(143)	(51)
Other comprehensive income for the period, net of income tax		–	–	–	–	–
Total comprehensive income/ (expense) attributable to equity holders of the parent		1,592	2,308	1,402	(801)	(761)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2012 £000	31 December 2013 £000	28 February 2015 £000	31 August 2015 £000
Non-current assets					
Property, plant and equipment	8	10,600	11,758	11,043	10,629
Intangible assets and goodwill	9	66,124	64,752	63,572	63,249
Total non-current assets		76,724	76,510	74,615	73,878
Current assets					
Inventories	12	6,359	9,782	12,296	12,758
Trade and other receivables	13	4,500	6,863	6,863	7,841
Cash and cash equivalents	14	7,317	9,473	1,515	1,946
Total current assets		18,176	26,118	20,674	22,545
Total assets		94,900	102,628	95,289	96,423
Current liabilities					
Interest-bearing loans and borrowings	15	38	3,875	5,917	7,117
Trade and other payables	16	15,937	21,236	11,816	13,340
Tax payable		639	947	409	664
Provisions	17	162	217	334	335
Total current liabilities		16,776	26,275	18,476	21,456
Non-current liabilities					
Interest-bearing loans and borrowings	15	29,239	27,704	27,903	27,542
Trade and other payables	16	6,362	5,802	4,971	4,542
Provisions	17	726	448	238	90
Deferred tax liabilities	11	9,105	7,399	7,299	7,152
Total non-current liabilities		45,432	41,353	40,411	39,326
Total liabilities		62,208	67,628	58,887	60,782
Net assets		32,692	35,000	36,402	35,641
Equity attributable to equity holders of the parent					
Share capital	18	10,000	10,000	10,000	10,000
Share premium	18	21,100	21,100	21,100	21,100
Translation Reserve	18	114	145	(117)	(168)
Retained earnings	18	1,478	3,755	5,419	4,709
Total equity		32,692	35,000	36,402	35,641

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
	£000	*£000*	*£000*	*£000*	*£000*
Balance at 3 August 2012	–	–	–	–	–
Total comprehensive income for the period					
Profit for the period	–	–	–	1,478	1,478
Other comprehensive income	–	–	114	–	114
Total comprehensive income for the period	–	–	114	1,478	1,592
Transactions with owners recorded directly in equity					
Issue of shares	10,000	21,100	–	–	31,100
Total transactions with owners	10,000	21,100	–	–	31,100
Balance at 31 December 2012	**10,000**	**21,100**	**114**	**1,478**	**32,692**
Profit for the year	–	–	–	2,277	2,277
Other comprehensive income	–	–	31	–	31
Total comprehensive income for the year	–	–	31	2,277	2,308
Balance at 31 December 2013	**10,000**	**21,100**	**145**	**3,755**	**35,000**
Profit for the year	–	–	–	1,664	1,664
Other comprehensive expense	–	–	(262)	–	(262)
Total comprehensive expense for the year	–	–	(262)	1,664	1,402
Balance at 28 February 2015	**10,000**	**21,100**	**(117)**	**5,419**	**36,402**
Profit for the year	–	–	–	(710)	(710)
Other comprehensive expense	–	–	(51)	–	(51)
Total comprehensive expense for the year	–	–	(51)	(710)	(761)
Balance at 31 August 2015	**10,000**	**21,100**	**(168)**	**4,709**	**35,641**

CONSOLIDATED CASH FLOW STATEMENT

	Note	5 months period ended 31 December 2012	Year ended 31 December 2013	14 months period ended 28 February 2015	6 months period ended 31 August 2015
		£000	*£000*	*£000*	*£000*
Cash flows from operating activities					
Profit for the year		1,478	2,277	1,664	(710)
Adjustments for:					
Depreciation and amortisation	*8, 9*	1,183	3,613	3,994	1,771
Financial income	*6*	–	(35)	(272)	(30)
Financial expense	*6*	664	2,126	2,378	1,099
Loss on disposal of property, plant and equipment		–	–	10	–
Taxation	*7*	967	(797)	532	(8)
		4,292	7,184	8,306	2,122
Increase in trade and other receivables		(1,736)	(2,365)	–	(979)
Increase/(decrease) in inventories		1,458	(3,423)	(2,514)	(462)
Increase/(decrease) in trade and other payables		7,052	3,976	(9,513)	230
Decrease in provisions		(196)	(223)	(93)	(147)
		10,870	5,149	(3,814)	764
Tax paid		(199)	(602)	(1,164)	116
Net cash from operating activities		10,671	4,547	(4,978)	880
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	*3*	(45,362)	–	–	–
Acquisition of property, plant and equipment	*8*	(1,373)	(3,079)	(1,610)	(542)
Acquisition of other intangible assets	*9*	(88)	(255)	(635)	(494)
Net cash from investing activities		(46,823)	(3,334)	(2,245)	(1,036)
Cash flows from financing activities					
Proceeds from the issue of share capital	*18*	31,100	–	–	–
Proceeds from new loan		30,000	997	–	1,343
Transaction costs related to loans and borrowings		(1,100)	(80)	–	–
Repayment of borrowings		(16,312)	(800)	(3,222)	(1,200)
Repayment of finance lease liabilities		(23)	(6)	–	–
Net financial expense paid		(127)	(135)	101	(82)
Net cash from financing activities		43,538	(24)	(3,121)	61
Net increase in cash and cash equivalents		7,386	1,189	(10,344)	(95)
Cash and cash equivalents at start of year		–	7,317	8,477	(1,998)
Effect of movements in exchange rates on cash held		(69)	(29)	(131)	(50)
Cash and cash equivalents at end of year		7,317	8,477	(1,998)	(2,143)

B. NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

Notes
(forming part of the financial statements)

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared for the purposes of inclusion in the Circular and in accordance with this basis of preparation, including the significant accounting policies set out below.

Ludendo Enterprises UK Limited (the "Company") is a company incorporated and domiciled in the United Kingdom.

The Group financial information consolidate those of the Company and its subsidiaries (together referred to as the "Group"). Judgements made by the directors in the application of these accounting policies, that have a significant effect on the financial information and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.1 Statement of compliance

The Group financial information has been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRSs").

The Group has prepared its financial information in accordance with IFRSs for the first time. The date of transition is 3 August 2012 which is the date of incorporation and the beginning of the earliest period reported. During the period ended 31 December 2012, on 17 September 2012, the Group acquired Corporal Limited and its subsidiaries (the "Trading Companies") Limited. Prior to this date, the Group did not trade; therefore, all results presented in these financial statements for the period ended 31 December 2012 relate to the 15 week trading period post-acquisition.

As the date of transition is prior to the acquisition of the Trading Companies, no reconciliation of equity for the opening balance sheet has been presented as on that date the Company had nominal cash and share capital.

The unaudited consolidated financial information for the six month period ended 31 August 2014 has been prepared in accordance with the recognition and measurement requirements of IFRS, with selected notes included.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRS to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 August 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 March 2015 are set out in Note 1.19.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this Group financial information.

The Group is preparing its financial information in accordance with IFRSs for the first time and consequently has applied IFRS 1. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 25.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except where IFRSs require an alternative treatment.

1.3 Going concern

The directors believe the retail climate through 2016 is uncertain and is likely to remain challenging. In response to these market conditions, the directors have taken a number of actions to protect against any potential future sales downturn. Financial forecasts, including sensitivities, for the year have been prepared using conservative sales levels and cost planning accordingly has been aligned to those sales estimates. The group manages its cost base and cash flow commitments to retain flexibility, making the group better able to cope with difficult economic conditions. Further forecasts will be performed throughout the year to ensure the cost planning remains in line.

The directors, after considering the financial forecasts, appropriate sensitivities, current trading and available facilities expect the group to have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to effect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra group transactions, balance and unrealised profit between Group companies are eliminated in preparing the Group's consolidated financial statements.

1.5 Foreign currency

Functional and presentational currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in pounds sterling which is the Company's functional and Group's presentational currency.

Transactions in foreign currencies are translated to the functional currency of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

1.6 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

1.7 Financial Instruments

Financial Assets

The Group's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are initially recognised at fair value on the consolidated balance sheet when the Group becomes party to the contractual provisions of the instrument.

i) Trade receivables

Trade receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, using less any provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, and is recognised in the statement of profit and loss in administrative expenses.

ii) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. For the purpose of the consolidated cash flow statement, cash and cash equivalents includes bank overdrafts in addition to the definition above.

Financial Liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities comprise trade and other payables and borrowings. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

i) Interest bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method.

Financial expenses comprise interest expense on borrowings.

ii) Trade payables

Trade and other payables are included in current liabilities, except for maturities greater than 12 months after the balance sheet date.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Operating lease payments are accounted for as described at 1.16 below.

Depreciation is charged to the consolidated statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Long leasehold property	2% per annum
Short leasehold property	over the term of the lease
Computer equipment	20%-33% per annum
Fixtures and fittings	5%-20% per annum

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date of if events or changes in circumstances include the carrying value may not be recoverable.

1.9 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interest issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date which, if known, would have affected the amounts recognised as of that date.

1.10 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the statement of profit and loss as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Hamleys brand	indefinite life
Other brands	2 years
Franchise agreements	14 years
Non-compete agreements	9 years
Favourable lease	5 years
Trademarks	5 years
Concession agreement	4 years
Software	3 years

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Where necessary, provision is made to reduce the cost to no more than net realisable value having regard to the nature and condition of inventory as well as anticipated utilisation and saleability.

1.12 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.13 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.14 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation.

1.15 Revenue recognition

Revenue comprises the fair value of goods sold to external customers and franchisees, net of value added tax and promotional discounts. Revenue is recognised on the sale of goods when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably. The significant risks and rewards of ownership are deemed to have been passed when sold over the counter in store, when despatched for online sales and when despatched to franchisees. Territory fees are spread over the term of the initial contract period. Store opening fees paid by franchisees are recognised at the point the store opens. Franchise royalties are based upon a percentage of reported sales and are recognised on a monthly basis when earned.

1.16 Operating lease payments

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease. Contingent rentals arising under operation leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into an operating lease such incentives are recognised as a liability. Lease incentives are recognised as a reduction of rental expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease are consumed.

Premiums paid to landlords to secure operating leases are recognised as assets and depreciated over the lease term.

1.17 Financial income and expenses

Financial expenses comprise interest payable. Financial income comprises interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.18 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future profits will be available against which the temporary difference can be utilised.

1.19 IFRS not yet applied

The Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be mandatory for future accounting periods and which the Group has not yet applied. The main such standards are IFRS 9 "Financial Instruments" and IFRS 15 "Revenues from Contracts with Customers".

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial information requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods impacted.

The key judgements and estimates employed in the financial statements are considered below.

Impairment of goodwill and indefinite life brand

On an annual basis, the Group is required to perform an impairment review to assess whether the carrying value of goodwill and indefinite life brand is less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Details of assumptions used in the impairment of goodwill are detailed in note 9.

Depreciation and amortisation

Judgement is required in assessing the useful economic lives of tangible fixed assets and intangible assets. These assumptions are based on the directors' best estimate of the life of the asset and its residual value at the end of its economic life.

Valuation of other intangible assets

The assessment of fair value in a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities in the acquired business. The key judgements required are the identification of intangible assets meeting the recognition criteria of IAS 38 and their attributable fair values. The key assumptions in relation to the brand valuation are the directors' best estimate of its life and the royalty and discount rate used in its valuation.

3 ACQUISITIONS OF SUBSIDIARIES

Acquisitions in the period ended 31 December 2012

On 17 September 2012, the Group acquired 100% of the issued share capital of Corporal Limited and subsidiary undertakings ("Corporal"). The consideration of £42.8 million was satisfied in cash. This transaction has been accounted for by the acquisition method of accounting.

As the company was not trading prior to the acquisition, then all of the reported results relate to this acquisition.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

		Recognised values on acquisition
		£000
Acquiree's net assets at the acquisition date:		
Property, plant and equipment		9,769
Inventories		7,804
Trade and other receivables		3,210
Cash and cash equivalents		(2,549)
Interest-bearing loans and borrowings		(16,373)
Trade and other payables		(15,177)
Deferred tax liabilities		(9,409)
Provisions		(1,084)
Total identifiable assets and liabilities		**(23,809)**
Cash consideration relating to business combination		**42,813**
Intangible assets recognised on acquisition:		
Brand	35,100	
Trademarks	85	
Computer software	293	
Franchise agreements	2,300	
Concession agreements	3,400	
Non-compete agreements	1,700	
Favourable lease	500	
		43,378
Goodwill on acquisition		**23,244**
		66,622

Goodwill has arisen on the acquisition because of the growth potential of the Company business, the Company workforce and the value of other immaterial intangible assets acquired. None of the goodwill is expected to be deductible for income tax purposes.

The trade receivables recognised are equal to the gross contractual amounts due.

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Property, Plant and Equipment – the directors consider that depreciated replacement cost is the most reliable basis for valuing the property, plant and equipment acquired.

Intangible assets – Brand was valued using the relief from royalty approach. Franchise agreements and concession agreements were valued using the excess profit method. Non-compete agreements and favourable agreements were valued using the income approach. Trademarks and computer software have been valued on historic cost less amortisation which is considered an approximation to fair value.

Inventories – the fair value was determined based on the estimated selling price in the ordinary course of business less the estimated costs of distribution and sale.

Net cash outflows in respect of the acquisition comprised:

	£000
Cash consideration	42,813
Overdraft acquired	2,549
Net cash outflow	45,362

Acquisition related costs

The Group incurred acquisition related costs of £0.2 million relating to deal fees. These costs have been included in administrative expenses in the Group's statement of profit and loss.

Acquisition on incorporation

Between the date of incorporation (3 August 2012) and the date of acquisition (17 September 2012), the acquired Group's revenue was £4,524,400 and its profit before tax was £6,600.

4 REVENUE

	5 months period ended 31 December 2012	**Year ended 31 December 2013**	**14 months period ended 28 February 2015**	**6 months period ended 31 August 2014** (unaudited)	**6 months period ended 31 August 2015**
	£000	*£000*	*£000*	*£000*	*£000*
Sale of goods including goods to franchisees	21,598	50,342	64,054	25,281	26,879
Franchise income	1,367	2,642	3,961	1,338	2,062
Total revenues	22,965	52,984	68,015	26,619	28,941

Franchising revenues include royalties, territory and store opening support fees.

5 STAFF COSTS

The aggregate payroll costs of these persons were as follows:

	5 months period ended 31 December 2012	Year ended 31 December 2013	14 months period ended 28 February 2015	6 months period ended 31 August 2014 (unaudited)	6 months period ended 31 August 2015
	£000	*£000*	*£000*	*£000*	*£000*
Wages and salaries	3,137	9,221	12,547	4,920	5,820
Social security costs	224	705	863	355	393
Contributions to defined contribution plans	40	184	247	98	109
Total staff costs	3,401	10,110	13,657	5,373	6,322

6 FINANCIAL INCOME AND EXPENSE

Recognised in profit and loss

	5 months period ended 31 December 2012	Year ended 31 December 2013	14 months period ended 28 February 2015	6 months period ended 31 August 2014 (unaudited)	6 months period ended 31 August 2015
	£000	*£000*	*£000*	*£000*	*£000*
Financial income					
Interest income on unimpaired financial assets	–	35	272	20	30
Total finance income	**–**	**35**	**272**	**20**	**30**
Financial expense					
Interest expense on bank loan and overdrafts	129	188	170	96	112
Interest expense on shareholder loan	480	1,593	1,859	791	827
Unwinding of discount on onerous lease	4	125	61	45	36
Amortisation of debt issue costs	51	220	288	124	124
Total financial expense	**664**	**2,126**	**2,378**	**1,056**	**1,099**

7 TAXATION

Recognised in profit and loss

	5 months period ended 31 December 2012	Year ended 31 December 2013	14 months period ended 28 February 2015	6 months period ended 31 August 2014 (unaudited)	6 months period ended 31 August 2015
	£000	*£000*	*£000*	*£000*	*£000*
Current taxation					
Corporation tax charge for the period	1,261	1,095	936	229	139
Foreign corporation tax charge for the period	9	39	76	–	–
Adjustments for prior periods	–	(225)	(381)	–	–
	1,270	909	631	229	139
Deferred tax expense					
Origination and reversal of temporary differences	(335)	(193)	(146)	(327)	(147)
Effect of tax rate changes	32	(1,183)	11	19	–
Adjustment for prior periods	–	(330)	36	–	–
Deferred tax expense	(303)	(1,706)	(99)	(308)	(147)
Total tax charge for the period	967	(797)	532	(79)	(8)

The tax charge is reconciled with the standard rates of UK corporation tax as follows:

	5 months period ended 31 December 2012	**Year ended 31 December 2013**	**14 months period ended 28 February 2015**	**6 months period ended 31 August 2014** (unaudited)	**6 months period ended 31 August 2015**
	£000	*£000*	*£000*	*£000*	*£000*
Profit/(loss) before tax	2,445	1,480	2,196	(737)	(718)
UK corporation tax at standard rate of 20.17% *(2015: 21.42%; 2014: 21.33% 2013: 23.25%; 2012: 24.00%)*	587	344	470	(157)	(145)
Factors affecting the charge for the period:					
Non-deductible expenses and other permanent differences	170	307	10	77	38
Net effect of profit taxed overseas	9	90	140	–	–
Fixed asset differences	89	184	183	(16)	47
Deferred tax not recognised	80	16	63	(2)	52
Adjustments in respect of prior periods	–	(555)	(345)	–	–
Effect of tax rates changes	32	(1,183)	11	19	–
Total tax charge/(credit) for the period	967	(797)	532	(79)	(8)

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Fixtures and fittings	Computer equipment	Total
	£000	*£000*	*£000*	*£000*
Cost				
Balance at 3 August 2012	–	–	–	–
Acquisitions through business combinations	389	9,188	192	9,769
Additions	24	1,299	50	1,373
Disposals	–	–	–	–
Exchange differences	–	57	1	58
Balance at 31 December 2012	413	10,544	243	11,200
Additions	–	2,898	181	3,079
Disposals	–	(20)	–	(20)
Exchange differences	–	67	1	68
Balance at 31 December 2013	413	13,489	425	14,327
Additions	–	1,376	234	1,610
Disposals	–	–	–	–
Exchange differences	–	(262)	(4)	(266)
Balance at 28 February 2015	413	14,603	655	15,671
Additions	–	504	38	542
Disposals	–	–	–	–
Exchange differences	–	–	–	–
Balance at 31 August 2015	413	15,107	693	16,213

	Leasehold land and buildings *£000*	Fixtures and fittings *£000*	Computer equipment *£000*	Total *£000*
Depreciation and impairment				
Balance at 3 August 2012	–	–	–	–
Depreciation charge for the period	6	519	72	597
Disposals	–	–	–	–
Exchange differences	–	3	–	3
Balance at 31 December 2012	6	522	72	600
Depreciation charge for the year	19	1,830	132	1,981
Disposals	–	(20)	–	(20)
Exchange differences	–	7	1	8
Balance at 31 December 2013	25	2,339	205	2,569
Depreciation charge for the year	22	1,995	151	2,169
Disposals	–	–	–	–
Exchange differences	–	(106)	(3)	(109)
Balance at 28 February 2015	47	4,229	353	4,629
Depreciation charge for the year	9	867	79	955
Disposals	–	–	–	–
Exchange differences	–	–	–	–
Balance at 31 August 2015	56	5,096	432	5,584
Net book value				
At 31 December 2012	407	10,022	171	10,600
At 31 December 2013	388	11,150	220	11,758
At 28 February 2015	366	10,375	302	11,043
At 31 August 2015	**357**	**10,011**	**261**	**10,629**

Included in the total net book value of fixtures and fittings and computer equipment is £690,457 *(2015:£nil, 2013: £nil, 2012: £nil)* and £153,152 *(2015:£nil, 2013: £nil, 2012: £nil)* in respect of assets held under finance leases and similar hire purchase contracts. These assets relate to a specific store fit out and the assets were acquired in the periods to February 2015 and August 2015 before being financed. Depreciation for the year on these assets was £90,449 *(2015: £nil, 2013: £nil, 2012: £nil)* for fixtures and fittings and £41,041 *(2015: £nil, 2013: £nil, 2012: £nil)* for computer equipment.

9 INTANGIBLE ASSETS

	Goodwill	Trademarks	Software	Brand	Other	Total
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cost						
Balance at 3 August 2012	–	–	–	–	–	–
Acquisitions through business combinations	23,244	85	293	35,100	7,900	66,622
Additions	–	8	20	60	–	88
Disposals	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–
Balance at 31 December 2012	23,244	93	313	35,160	7,900	66,710
Additions	–	28	142	85	–	255
Disposals	–	–	–	–	–	–
Exchange differences	–	–	–	5	–	5
Balance at 31 December 2013	23,244	121	455	35,250	7,900	66,970
Additions	–	163	364	108	–	635
Disposals	–	–	–	–	–	–
Exchange differences	–	–	(1)	–	–	(1)
Balance at 28 February 2015	23,244	284	818	35,358	7,900	67,604
Additions	–	114	337	43	–	494
Disposals	–	–	–	–	–	–
Exchange differences	–	–	(1)	–	–	(1)
Balance at 31 August 2015	23,244	398	1,154	35,401	7,900	68,097

	Goodwill	Trademarks	Software	Brand	Other	Total
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Amortisation						
Balance at 3 August 2012	–	–	–	–	–	–
Amortisation for the period	–	16	145	51	374	586
Disposals	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–
Balance at 31 December 2012	–	16	145	51	374	586
Amortisation for the period	–	35	161	133	1,303	1,632
Disposals	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–
Balance at 31 December 2013	–	51	306	184	1,677	2,218
Amortisation for the period	–	31	169	101	1,514	1,815
Disposals	–	–	–	–	–	–
Exchange differences	–	–	(1)	–	–	(1)
Balance at 28 February 2015	–	82	474	285	3,191	4,032
Amortisation for the period	–	11	121	27	657	816
Disposals	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–
Balance at 31 August 2015	–	93	595	312	3,848	4,848
Net book value						
At 31 December 2012	23,244	77	168	35,109	7,526	66,124
At 31 December 2013	23,244	70	149	35,066	6,223	64,752
At 28 February 2015	23,244	202	344	35,073	4,709	63,572
At 31 August 2015	**23,244**	**305**	**559**	**35,089**	**4,052**	**63,249**

Other Intangible assets	Franchise agreements £000	Concession agreements £000	Non-compete agreements £000	Favourable lease £000	Total £000
Net book value					
At 31 December 2012	2,253	3,156	1,646	471	7,526
At 31 December 2013	2,089	2,306	1,457	371	6,223
At 28 February 2015	1,898	1,319	1,237	255	4,709
At 31 August 2015	**1,815**	**890**	**1,142**	**205**	**4,052**

The Hamley's brand is valued at £35.1 million *(2015: £35.1 million, 2013: £35.1 million, 2012: £35.1 million)* and has an indefinite life. This indefinite life is supported by Hamleys being a well-established and reputable brand and is the world's oldest toy store. There are no known legal or contractual provisions that would limit the life of the brand and it is protected by trademarks that can be renewed indefinitely.

Amortisation

All amortisation is recognised in administrative expenses in the statement of profit and loss:

Impairment testing

Goodwill and indefinite life intangible assets are not amortised, but tested annually for impairment on the basis of value in use calculations using discounted cash flows. The group considers all operations as one unit as this represents the lowest level within the Group at which goodwill and intangible assets are monitored for internal management purposes. As the value in use exceeded the carrying value for the cash generating unit, no impairment loss was recognised in any of the periods.

In assessing the value in use each year, the five year business plan was used to provide cash flow projections. The cash flow projections are subject to key assumptions in respect of discount rates, achievement of future revenue and EBITDA growth. The directors have reviewed and approved the assumptions inherent in the model as part of the annual budget process using historic experience and considering economic and business risks facing the Group. Beyond the five year business plan, a 2.5% growth rate has been applied into perpetuity.

In assessing the Group's value in use a pre-tax discount rate of 13.6% *(2015: 13.4%; 2013: 14.2%; 2012: 15.4%)* has been applied to the group of CGUs.

The calculated value in use exceeded the carrying value of goodwill and indefinite life intangible assets and no further sensitivity calculations were necessary to conclude there was no impairment.

Included in the total net book value of software is £260,607 *(2015:£nil, 2013: £nil, 2012: £nil)* in respect of assets held under finance leases and similar hire purchase contracts. Amortisation for the year on these assets was £61,641 *(2015: £nil, 2013: £nil, 2012: £nil).*

10 INVESTMENTS IN SUBSIDIARIES

The Group has the following investments in subsidiaries:

Name	Country of incorporation	Principal activity	Ordinary shares			
			31 December 2012 %	31 December 2013 %	28 February 2015 %	31 August 2015 %
Corporal Limited	Great Britain	Holding company	100	100	**-	**-
Soldier Limited	Great Britain	Holding company	*100	*100	**-	**-
Hamleys Group Limited	Great Britain	Holding company	*100	*100	100	100
Hamleys of London Limited	Great Britain	Toy retailing	*100	*100	*100	*100
Hamleys (Franchise) Limited	Great Britain	Franchise company	*100	*100	*100	*100
Hamleys Asia Limited	Hong Kong	Import company	*100	*100	*100	*100
Hamleys Toys (Ireland) Limited	Ireland	Toy retailing	*100	*100	*100	*100
Hamleys BV	The Netherlands	Dormant	*100	*100	*100	*100
Scrumpalicious Limited	Great Britain	Retailing	*100	*100	*100	*100
Luvley Limited	Great Britain	Retailing	*100	*100	*100	*100
Hamleys Bear Investment Limited	Great Britain	Dormant	*100	**	**	**
Hamleys Property Services Limited	Great Britain	Dormant	*100	**	**	**
Hamleys Financial Services Limited	Great Britain	Dormant	*100	**	**	**
Hamleys Employment Services Limited	Great Britain	Dormant	*100	**	**	**

* denotes indirect shareholding

** company struck off during the period

All of the companies listed above are audited by KPMG LLP.

11 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Assets

	31 December 2012 *£000*	31 December 2013 *£000*	28 February 2015 *£000*	31 August 2015 *£000*
Property, plant and equipment	–	–	–	–
Trade and other receivables	474	431	465	474
Trade and other payables	580	449	412	396
Other financial liabilities	–	–	–	–
Deferred tax assets	1,054	880	877	870
Net-off deferred tax liabilities	(1,054)	(880)	(877)	(870)
Net deferred tax assets	–	–	–	–

Liabilities

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
Property, plant and equipment	(355)	(14)	(214)	(192)
Intangible assets	(9,804)	(8,265)	(7,962)	(7,830)
Deferred tax liabilities	(10,159)	(8,279)	(8,176)	(8,022)
Net-off deferred tax assets	1,054	880	877	870
Net deferred tax liabilities	(9,105)	(7,399)	(7,299)	(7,152)

Movement in deferred tax during the periods

	3 August 2012	Acquired in business combination	Recognised in profit and loss credit/ (charge)	31 December 2012
	£000	*£000*	*£000*	*£000*
Property, plant and equipment	–	(355)	–	(355)
Intangible assets	–	(9,890)	86	(9,804)
Trade and other receivables	–	234	240	474
Trade and other payables	–	603	(23)	580
	–	(9,408)	303	(9,105)

	1 January 2013	Recognised in profit and loss credit/(charge)	31 December 2013
	£000	*£000*	*£000*
Property, plant and equipment	(355)	341	(14)
Intangible assets	(9,804)	1,539	(8,265)
Trade and other receivables	474	(43)	431
Trade and other payables	580	(131)	449
	(9,105)	1,706	(7,399)

	1 January 2014	Recognised in profit and loss credit/(charge)	28 February 2015
	£000	*£000*	*£000*
Property, plant and equipment	(14)	(200)	(214)
Intangible assets	(8,265)	303	(7,962)
Trade and other receivables	431	34	465
Trade and other payables	449	(37)	412
	(7,399)	100	(7,299)

	1 March 2015	Recognised in profit and loss credit/ (charge)	31 August 2015
	£000	*£000*	*£000*
Property, plant and equipment	(214)	22	(192)
Intangible assets	(7,962)	132	(7,830)
Trade and other receivables	465	9	474
Trade and other payables	412	(16)	396
	(7,299)	147	(7,152)

12 INVENTORIES

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
Goods purchased for resale	5,946	8,897	11,660	12,466
Goods in transit	413	885	636	292
	6,359	9,782	12,296	12,758

All inventories are expected to be sold within 12 months.

During the year £nil *(2015: £nil; 2013: £nil; 2012: £25,000)* was recognised as an expense in cost of sales in respect of the write down of inventory to net realisable value.

No unutilised provisions were reversed in the year.

Inventory purchased recognised as an expense in cost of sales was £12.88 million *(2015: £30.19 million; 2013: £22.63 million; 2012: £10.68 million).*

13 TRADE AND OTHER RECEIVABLES

	31 December 2012 £000	31 December 2013 £000	28 February 2015 £000	31 August 2015 £000
Trade receivables	931	2,115	2,619	3,502
Allowance for doubtful debts	–	–	–	–
	931	2,115	2,619	3,502
Other receivables	2,328	3,414	2,491	2,252
Prepayments	1,241	1,334	1,753	2,087
	4,500	6,863	6,863	7,841

Ageing of trade receivables (which are included in trade and other receivables), based on invoice date and net of allowance of doubtful debts, is as follows:

	31 December 2012 £000	31 December 2013 £000	28 February 2015 £000	31 August 2015 £000
Within 30 days	451	916	730	822
31-60 days	95	204	153	663
60-120 days	235	565	358	741
121+ days	150	430	1,378	1,276
Total	931	2,115	2,619	3,502

Ageing of past due but not impaired receivables

	31 December 2012 £000	31 December 2013 £000	28 February 2015 £000	31 August 2015 £000
31-60 days	24	172	201	176
60-120 days	122	267	618	32
121+ days	63	396	262	321
Total	209	835	1,081	529

Included within trade receivables is £1,390,400 *(2015: £1,054,900, 2013: £nil, 2012: £nil)* due from HScan Holdings ApS. Subsequent to the period end, this was converted into shares in HScan Holdings ApS (see note 26). The receivable balance has been presented as current in each period.

Movement in allowance for doubtful debts

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
Balance at beginning of period	–	–	–	–
Acquired	–	–	–	–
Provided	–	156	668	–
Utilised	–	(156)	(668)	–
Balance at end of period	–	–	–	–

The allowance account for trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amounts considered irrecoverable are written off against the trade receivables directly.

14 CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
Cash and cash equivalents in the statement of financial position	7,317	9,473	1,515	1,946
Bank overdrafts used for cash management purposes *(note 15)*	–	(996)	(3,513)	(4,089)
Cash and cash equivalents in the statement of cash flows	7,317	8,477	(1,998)	(2,143)

15 INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 19.

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
Non-current liabilities				
Finance lease liabilities	–	–	–	906
Unsecured shareholder loans	29,239	26,992	27,533	26,263
Unsecured bank loans and loan notes	–	712	370	373
	29,239	27,704	27,903	27,542
Current liabilities				
Current portion of finance lease liabilities	10	5	–	437
Unsecured shareholder loans	–	2,623	2,180	2,360
Unsecured bank loans and loan notes	28	251	224	231
Unsecured bank overdraft	–	996	3,513	4,089
	38	3,875	5,917	7,117

Terms and debt repayment schedule

	Principal	Interest margin	Expiry date
	£000		
Shareholder loan 1	12,000	LIBOR + 4.6%	17 September 2017
Shareholder loan 2	18,000	LIBOR + 4.6%	17 September 2024
Bank loan	1,000	LIBOR + 3.2%	1 July 2017

Shareholder loans

Loan 1 totals £8,657,000 *(2015: £9,857,000, 2013: £11,200,000, 2012: £12,000,000)* and is repayable in full on 16 September 2017. The loan carries interest at LIBOR + 4.6%.

Loan 2 totals £20,428,000 *(2015: £20,428,000, 2013: £19,244,000, 2012: £18,288,000)* and is repayable in equal instalments commencing 16 September 2016. The loan carries interest at LIBOR + 4.6% and until September 2015 is capitalised and added to the principal amount of the loan. The final balance is expected to be repaid in September 2025.

Both loans are unsecured.

Directly attributable finance costs of £462,000 *(2015: £572,000, 2013: £829,000, 2012: £1,049,000)* have been deducted to arrive at the outstanding shareholder loan borrowings.

These loans were repaid on 25 November 2015 and replaced with new parent company finance.

Bank loans and loan notes

Bank loans total £604,000 *(2015: £594,000, 2013: £997,000, 2012: £nil)* and will be repaid in full by July 2017. The loan carries interest at LIBOR + 3.2%. The loan is unsecured.

Loan notes comprise of £nil *(2015: £nil, 2013: £28,000, 2012: £28,000)* variable rate guaranteed unsecured £1 loan notes issued as part consideration for the acquisition of ordinary shares in Hamleys plc (now Hamleys Group Limited). The loan notes were fully redeemable in March 2008. The loan notes were guaranteed by the Royal Bank of Scotland PLC by way of a facility which was drawn down to fund repayment.

The bank loans and loan notes are repayable as follows:

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
Within 1 year or on demand	28	251	224	231
After 1 year but within 2 years	–	224	245	249
After 2 years but within 5 years	–	488	125	124
	28	963	594	604

Obligations under finance leases and hire purchase contracts

Amounts owed under finance leases and hire purchase contracts are secured on the assets to which they relate.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Period ended 31 December 2012			Year ended 31 December 2013		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Less than one year	10	–	10	5	–	5
Between one and five years	–	–	–	–	–	
More than five years	–	–	–	–	–	–
	10	–	10	5	–	5

	Period ended 28 February 2015			Period ended 31 August 2015		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	£000	£000	£000	£000	£000	£000
Less than one year	–	–	–	553	116	437
Between one and five years	–	–	–	990	84	906
More than five years	–	–	–	–	–	–
	–	–	–	1,543	200	1,343

16 TRADE AND OTHER PAYABLES

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	£000	£000	£000
Current				
Trade payables	9,643	11,400	7,440	6,284
Other taxation and social security payable	1,895	1,844	307	1,569
Other payables	2,146	2,547	1,465	1,402
Accruals and deferred income	2,253	5,445	2,604	4,085
	15,937	21,236	11,816	13,340
Non-current				
Accruals and deferred income	6,362	5,802	4,971	4,542
	22,299	27,038	16,787	17,882

Included in accruals and deferred income, both current and non-current, are lease incentives and capital contributions that are being spread over the life of the lease and deferred income in respect of territory fees which are being recognised over the life of the initial contract.

Ageing of trade payables (which are included in trade and other payables), based on invoice date, is as follows:

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	£000	£000	£000
Within 1 month	5,651	6,368	2,935	2,764
1-3 months	3,178	4,336	3,350	1,140
Over 3 months but within 6 months	196	191	316	708
Over 6 months	203	8	261	146
Total	9,228	10,903	6,862	4,758

17 PROVISIONS

	31 December 2012 £000	31 December 2013 £000	28 February 2015 £000	31 August 2015 £000
At beginning of period	–	888	665	572
Provisions made during the period	–	–	208	–
Provisions used during the period	(200)	(348)	(362)	(183)
Provisions reversed during the period	–	–	–	–
Amounts arising from acquisition	1,084	–	–	–
Unwind of discount	4	125	61	36
At end of period	**888**	**665**	**572**	**425**
Non-current	726	448	238	90
Current	162	217	334	335
	888	**665**	**572**	**425**

The provision relates to an onerous lease for certain land and buildings. The provision represents the director's best estimate of the obligations at each reporting date. It is expected the provision will be utilised over the next two years *(2015: utilised over the next two years, 2013: utilised over the next three years, 2012: utilised over the next four years)*.

18 CAPITAL AND RESERVES

Share capital

	31 December 2012 £000	31 December 2013 £000	28 February 2015 £000	31 August 2015 £000
Allotted and called up				
7,800,000 ordinary £1 A shares	7,800	7,800	7,800	7,800
1,400,000 ordinary £1 B1 shares	1,400	1,400	1,400	1,400
600,000 ordinary £1 B2 shares	600	600	600	600
200,000 ordinary £1 C shares	200	200	200	200
	10,000	10,000	10,000	10,000

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the Consolidated Statement of Changes in Equity. Details of all movements in the company's individual components of equity are set out below:

	Share capital	Share premium	Retained earnings	Total equity
	£000	*£000*	*£000*	*£000*
Balance at 3 August 2012	–	–	–	–
Total comprehensive income for the period				
Profit for the period	–	–	(472)	(472)
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	(472)	(472)
Transactions with owners recorded directly in equity				
Issue of shares	10,000	21,100	–	31,100
Total transactions with owners	10,000	21,100	–	31,100
Balance at 31 December 2012	10,000	21,100	(472)	30,628
Profit for the year	–	–	(992)	(992)
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	(992)	(992)
Balance at 31 December 2013	10,000	21,100	(1,464)	29,636
Profit for the year	–	–	(7,709)	(7,709)
Other comprehensive expense	–	–	–	–
Total comprehensive expense for the year	–	–	(7,709)	(7,709)
Balance at 28 February 2015	10,000	21,100	(9,173)	21,927
Profit for the year	–	–	(564)	(564)
Other comprehensive expense	–	–	–	–
Total comprehensive expense for the year	–	–	(564)	(564)
Balance at 31 August 2015	10,000	21,100	(9,737)	21,363

Details of all movements in reserves for both the Group and Company are shown in the Statement of Changes in Equity. A description of the nature and purpose of each reserve is given below:

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Distributability of reserves

Only the profit and loss reserve is distributable.

19 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

Senior management and the directors have overall responsibility for the oversight of the Group's risk management framework. Senior management and directors review and manage risk on an ad hoc basis when required through specific consideration of transactions. When identified, agreed actions are taken to mitigate these risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Group's receivables from franchisees.

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different franchisees. The Group has policies in place to ensure that agreements are made with franchisees with an appropriate credit history. The Group only sells to franchisees that are credit-worthy and mitigates risk in certain markets by bank guarantees. The Group monitors the credit-worthiness of counterparties using publicly available information. As a result, the Group's exposure to bad debts is not significant and default rates have historically been very low. Sales to retail customers are made in cash or via major credit cards.

The group is also exposed to credit risk arising from other financial assets, which comprise cash and short term deposits. The Group's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments if a counterparty to a financial instrument fails to meet its contractual obligation.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due by ensuring that there is sufficient cash or working capital facilities to meet the Group's cash requirements.

The risk is measured by review of forecast liquidity each month to determine whether there are sufficient credit facilities to meet forecast requirements. Cash flow forecasts are submitted monthly to the Directors. These continue to demonstrate the strong cash generating ability of the business and its ability to operate within existing agreed banking facilities. For further details of the Group's borrowings see note 15.

All short term trade and other payables, accruals, bank overdrafts and borrowings mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows.

The maturity profile of the contractual undiscounted cash flows of the Group's financial liabilities, excluding derivatives used for hedging, is as follows:

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
In less than one year	800	3,093	2,650	3,288
In more than one year but not more than two years	2,843	2,650	6,010	6,936
More than two years but not more than three years	2,400	6,010	8,744	7,387
More than three years, but not more than four years	5,760	8,869	3,000	3,000
More than four years but not more than five years	8,619	3,000	3,000	3,000
More than five years	20,874	17,874	14,874	14,874
Total financial liabilities	41,296	41,496	38,278	38,485

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Group's income. The Group's exposure to market risk predominantly relates to interest and currency risk.

Interest rate risk

The Group is exposed to the risk of interest rate fluctuations mainly with regard to the interest expense on the debt carried by Ludendo Enterprises UK Limited. The Group's intercompany borrowings incur variable interest rate charges linked to LIBOR, plus a margin. The Group's policy aims to manage the interest cost of the Group within the constraints of its financial covenants and business plan.

Sensitivity analysis of the effect of a change in interest rates of a +/-% is indicated below.

Foreign currency risk

The Group operates internationally and is, therefore, exposed to the foreign exchange risk which can negatively impact revenue, costs, margins and profit.

The Group transacts with customers in Ireland in euro and franchisees in US dollar. The Group transacts with its suppliers of finished goods, based in continental Europe and Asia, in euro and US dollar. In addition to this, the Group is exposed to transaction risk on the translation and conversion of surplus euro, US dollar and Hong Kong dollar cash balances into pounds sterling.

The following table shows the extent to which the Group has monetary assets and liabilities at the balance sheet date in currencies other than the local currency of operation. Monetary assets and liabilities refer to cash, deposits, borrowings and other amounts to be received or paid in cash. Amounts exclude intercompany balances which eliminate on consolidation:

	31 December 2012		**31 December 2013**	
	Monetary assets	**Monetary liabilities**	**Monetary assets**	**Monetary liabilities**
	£000	*£000*	*£000*	*£000*
Euro	304	199	573	195
US dollar	649	84	1,118	385
Hong Kong dollar	27	–	50	–
	980	283	1,741	580

	28 February 2015		**31 August 2015**	
	Monetary assets	**Monetary liabilities**	**Monetary assets**	**Monetary liabilities**
	£000	*£000*	*£000*	*£000*
Euro	235	18	458	268
US dollar	1,803	1,525	1,400	1,752
Hong Kong dollar	41	–	2	–
	2,079	1,543	1,860	2,020

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to optimise returns to its shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future growth. The directors regularly monitor the level of capital in the Group to ensure that this can be achieved.

Fair value disclosures

The fair value of each class of financial assets and liabilities is the carrying amount, based on the following assumptions:

Trade receivables, trade payables, short term deposits and borrowings	The fair value approximates to the carrying value because of the short maturity of these instruments.
Long term borrowings	Based on calculations performed by management, the fair value of bank loans and other loans is not materially different to their carrying value. Therefore, the fair value approximates the carrying value reported in the balance sheet.

Fair value hierarchy

Financial instruments carried at fair value should be measured with reference to the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All financial instruments carried at fair value have been measured using a Level 2 valuation method.

The fair value (which is equal to carrying value) of financial assets and liabilities are as follows:

	31 December 2012	**31 December 2013**	**28 February 2015**	**31 August 2015**
	£000	*£000*	*£000*	*£000*
Cash and cash equivalents	7,317	9,473	1,515	1,946
Trade and other receivables	3,259	5,529	5,110	5,754
Total financial assets	10,576	15,002	6,625	7,700
Trade and other payables	15,185	20,451	10,629	12,567
Borrowings at amortised cost	29,277	31,579	33,820	34,659
Total financial liabilities	44,462	52,030	44,449	47,226

Financial instruments sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on its earnings. At the end of each reporting period, the effect of hypothetical changes in interest and currency rates are as follows:

Interest rate sensitivity analysis

The table below shows the Group's sensitivity to interest rates on floating rate borrowings (i.e. shareholder loan borrowings which attract interest at LIBOR + 4.6%) if interest rates were to change by +/- 1%. The impact on the results in the statement of profit and loss and other comprehensive income and equity would be:

	31 December 2012 Increase/ (decrease) in equity	**31 December 2013 Increase/ (decrease) in equity**	**28 February 2015 Increase/ (decrease) in equity**	**31 August 2015 Increase/ (decrease) in equity**
	£000	*£000*	*£000*	*£000*
+1 % movement in interest rates	(86)	(302)	(354)	(157)
-1 % movement in interest rates	86	302	354	157

Foreign exchange rate sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates for its US dollar financial instruments, the major currency in which the Group's derivatives are denominated:

	31 December 2012 Increase/ (decrease) in equity	31 December 2013 Increase/ (decrease) in equity	28 February 2015 Increase/ (decrease) in equity	31 August 2015 Increase/ (decrease) in equity
	£000	*£000*	*£000*	*£000*
10% appreciation of the US dollar	57	73	28	(35)
10% depreciation of the US dollar	(57)	(73)	(28)	35

A strengthening/weakening of sterling, as indicated, against the US dollar at each period end would have increased/(decreased) the cash flow hedge reserve and retained earnings by the amounts shown above. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Management have concluded that no reasonably possible change in the euro and Hong Kong dollar exchange rate could have a significant effect on the financial statements.

There are no material movements in profit and loss for the period.

20 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings			
	31 December 2012	**31 December 2013**	**28 February 2015**	**31 August 2015**
	£000	*£000*	*£000*	*£000*
Less than one year	4,806	5,158	5,372	6,072
Between one and five years	18,446	19,247	19,589	21,814
More than five years	179,231	174,954	169,965	167,827
	202,483	199,359	194,926	195,713

The Group leases a number of stores and warehouses under operating leases of varying lengths, for which incentives/premiums are received under the relevant lease agreements. One lease relating to the property in Regent Street has 64 years left to run as at 31 August 2015.

During the year £2.42 million was recognised as an expense in the statement of profit and loss in respect of operating leases *(2015: £5.77 million; 2013: £4.94 million; 2012: £1.57 million).*

21 COMMITMENTS

Capital commitments for which no provision has been made in the financial statements of the Group were as follows:

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
Contracted	230	404	581	–

22 CONTINGENCIES

Contingent liabilities of the group relate to HMRC £110,000 *(2015: £110,000; 2013: £110,000; 2012: £110,000).*

There is a cross guarantee in place between certain group companies in respect of the current period bank facilities. The company exposure at the period end is £nil *(2015: £nil; 2013: £nil; 2012: £nil).*

23 RELATED PARTIES

Transactions with key management personnel – Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Period ended 31 December 2012

	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	31 December 2012 Total
	£000	*£000*	*£000*	*£000*
Executive directors				
G Reynisson	109	150	9	268
A Dunn	49	51	5	105
	158	201	14	373

Year ended 31 December 2013

	Salaries, allowances and benefits in kind	**Discretionary bonuses**	**Retirement scheme contributions**	**31 December 2013 Total**
	£000	*£000*	*£000*	*£000*
Executive directors				
G Reynisson	330	200	28	558
A Dunn	147	70	14	231
	477	270	42	789

Period ended 28 February 2015

	Salaries, allowances and benefits in kind	**Discretionary bonuses**	**Retirement scheme contributions**	**28 February 2015 Total**
	£000	*£000*	*£000*	*£000*
Executive directors				
G Reynisson	395	33	–	428
A Dunn	174	–	16	190
	569	–	49	618

Period ended 31 August 2015

	Salaries, allowances and benefits in kind	**Discretionary bonuses**	**Retirement scheme contributions**	**31 August 2015 Total**
	£000	*£000*	*£000*	*£000*
Executive directors				
G Reynisson	172	100	14	286
A Dunn	75	35	7	117
	247	135	21	403

Transactions with key management personnel – Individuals with highest emoluments

Of the eleven *(2015: eleven, 2013: twelve, 2012: twelve)* individuals with the highest emoluments, two *(2015: two, 2013: two, 2012: two)* are directors whose emoluments are disclosed above. The aggregate of the emoluments in respects of the other nine *(2015: nine, 2013: ten, 2012: ten)* are as follows:

	31 December 2012 *£000*	**31 December 2013** *£000*	**28 February 2015** *£000*	**31 August 2015** *£000*
Salaries, allowances and benefits in kind	285	911	1,069	479
Discretionary bonuses	51	132	–	78
Retirement scheme contributions	10	52	–	–
Termination benefits	–	102	63	31
	346	1,197	1,132	588

The emoluments of the nine *(2015: nine, 2013: ten, 2012: ten)* individuals with the highest emoluments are within the following bands:

£	**31 December 2012** *Number of individuals*	**31 December 2013** *Number of individuals*	**28 February 2015** *Number of individuals*	**31 August 2015** *Number of individuals*
Nil-100,000	10	5	3	9
100,000-200,000	–	5	6	–
	10	10	9	9

In July 2013, staff loans were advanced to certain key management of the Group. At 31 August 2015, £270,000 was outstanding *(2015: £270,000, 2013: £270,000, 2012: nil)* and is included within trade and other receivables. The loans carry interest at LIBOR + 4.3%. The loans are expected to be repaid in July 2018.

Other related party transactions

Balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Group has related party relationships with its parent company Ludendo Entreprises SAS and other entities within the wider Ludendo Group.

The Group entered into the following transactions during the historical financial period:

	Period ended 31 December 2012		Year ended 31 December 2013	
	Income	**Expense**	**Income**	**Expenses**
	£000	*£000*	*£000*	*£000*
Parent company				
Ludendo Entreprises SAS	–	–	18	–
Management fee	–	–	–	352
Shareholder loan interest expense	–	480	–	1,586
Other related parties				
Franz Carl Weber	–	–	5	–
La Grande Recre International	–	–	–	3
Ludendo Asia	–	5	–	17
Ludendo France SAS	–	–	–	–
	–	485	23	1,958

	Period ended 28 February 2015		Year ended 31 August 2015	
	Income	**Expense**	**Income**	**Expenses**
	£000	*£000*	*£000*	*£000*
Parent company				
Ludendo Entreprises SAS	23	–	7	–
Management fee	663	–	–	–
Shareholder loan interest expense	–	1,859	–	827
Other related parties				
Franz Carl Weber	–	–	–	–
La Grande Recre International	22	53	7	17
Ludendo Asia	–	1,093	–	1,109
Ludendo France SAS	–	291	–	206
	708	3,296	14	2,159

The following amounts were outstanding as at the balance sheet date.

	Period ended 31 December 2012		Year ended 31 December 2013	
	Receivable	**Payable**	**Receivable**	**Payable**
	£000	*£000*	*£000*	*£000*
Parent company				
Ludendo Entreprises SAS	–	30,480	818	32,425
Other related parties				
Franz Carl Weber	–	–	5	–
La Grande Recre International	–	–	–	12
Ludendo Asia	–	–	–	17
Ludendo France SAS	–	–	–	–
	–	30,480	823	32,454

	Period ended 28 February 2015		Year ended 31 August 2015	
	Receivable	**Payable**	**Receivable**	**Payable**
	£000	*£000*	*£000*	*£000*
Parent company				
Ludendo Entreprises SAS	692	30,292	699	29,919
Other related parties				
Franz Carl Weber	–	–	–	–
La Grande Recre International	656	1,360	663	1,378
Ludendo Asia	81	148	62	1,021
Ludendo France SAS	–	142	–	345
Ludendo Commerce France SAS	–	121	–	5
	1,429	32,063	1,424	32,668

24 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2012	31 December 2013	28 February 2015	31 August 2015
	£000	*£000*	*£000*	*£000*
Non-current assets				
Investments	43,027	43,027	43,267	43,267
Total non-current assets	43,027	43,027	43,267	43,267
Current assets				
Trade and other receivables	16,446	17,370	15,940	14,805
Cash and cash equivalents	586	36	36	36
Total current assets	17,032	17,406	15,976	14,841
Total assets	60,059	60,433	59,243	58,108
Current liabilities				
Interest-bearing loans and borrowings	–	2,623	2,180	2,360
Trade and other payables	192	1,182	7,461	7,980
Tax payable	–	–	142	142
Total current liabilities	192	3,805	9,783	10,482
Non-current liabilities				
Interest-bearing loans and borrowings	29,239	26,992	27,533	26,263
Trade and other payables	–	–	–	–
Total non-current liabilities	29,239	26,992	27,533	26,263
Total liabilities	29,431	30,797	37,316	36,745
Net assets	30,628	29,636	21,927	21,363
Equity attributable to equity holders of the parent				
Share capital	10,000	10,000	10,000	10,000
Share premium	21,100	21,100	21,100	21,100
Retained earnings	(472)	(1,464)	(9,173)	(9,737)
Total equity	30,628	29,636	21,927	21,363

25 EXPLANATION OF TRANSITION TO IFRSs – GROUP

These are the Group's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 1 and herein have been applied in preparing the financial statements for all periods reported.

The most recent Group consolidated financial statements were prepared under UK Generally Accepted Accounting Principles ("UK GAAP") for the period ended 28 February 2015. The date of transition to IFRS for the Group was 3 August 2012. As the date of transition is prior to the acquisition of the trading companies, no reconciliation of equity for the opening balance sheet has been presented since, at that date, the Company had nominal cash and share capital.

IFRS 1, First time Adoption of international Financial Reporting Standards, sets out the transitional rules for when IFRS is applied for the first time. The Group is required to select accounting policies in accordance with IFRS valid at its first IFRS reporting date and apply those policies retrospectively:

	Note	**Period ended 31 December 2012** *£000*	**Year ended 31 December 2013** *£000*	**Period ended 28 February 2015** *£000*
Total equity under UK GAAP		34,319	37,328	40,573
Goodwill and business combinations	*(ai)*	(374)	(1,677)	(3,191)
Goodwill and business combinations	*(aii)*	(214)	(214)	(214)
Lease incentives	*(b)*	(293)	(1,292)	(1,717)
Revenue recognition	*(c)*	(1,045)	(1,140)	(1,312)
Onerous lease provision		(4)	(130)	(190)
Taxation	*(d)*	303	2,125	2,453
Total equity under IFRS		32,692	35,000	36,402

	Note	**Period ended 31 December 2012** *£000*	**Year ended 31 December 2013** *£000*	**Period ended 28 February 2015** *£000*
Total comprehensive profit for the year under UK GAAP		3,219	3,010	3,247
Goodwill and business combinations	*(ai)*	(374)	(1,303)	(1,514)
Goodwill and business combinations	*(aii)*	(214)	–	–
Lease incentives	*(b)*	(293)	(1,005)	(419)
Revenue recognition	*(c)*	(1,045)	(95)	(172)
Onerous lease provision		(4)	(125)	(61)
Taxation	*(d)*	303	1,822	328
Foreign currency translation differences recognised in other comprehensive income		–	4	(7)
Total comprehensive profit for the period under IFRS		1,592	2,308	1,402

Notes to the reconciliations

Explanations of significant adjustments on transition to Adopted IFRS

(ai) Goodwill and Business Combinations (IFRS 3)

The acquisition of Corporal Limited on 17 September 2012 has been accounted for in accordance with IFRS 3. The Group has recognised the identifiable assets acquired and the liabilities assumed and measured these at their acquisition date fair values. This has included the recognition of assets not previously recognised under UK GAAP, the most significant of which is the Hamleys brand and the associated deferred tax liability.

Goodwill represents the difference between the fair value of consideration transferred and the fair value of the net assets acquired. In accordance with IFRS 3, goodwill is not amortised but tested annually for impairment with impairment losses recognised in accordance with IAS 36. This treatment was also applied under UK GAAP.

The Hamleys brand is considered to have an indefinite life and is tested annually for impairment in line with IAS 36.

The other intangible assets which are recognised under IFRS are amortised over their estimated useful lives *(2015: £1,514,000, 2013: £1,303,000, 2012: £374,000).*

(aii) Goodwill and Business Combinations (IFRS 3)

Certain professional fees and stamp duty incurred as a result of the acquisition have been expensed to profit and loss. Under UK GAAP, these costs were included in the value of consideration transferred and formed part of goodwill.

(b) Lease incentives (IAS 17)

Incentives realised from landlords to enter into leases (such as rent-free periods and capital contributions) which were deferred and recognised over the period until the first rent review date under UK GAAP are recognised over the full lease term under IFRS.

(c) Revenue recognition

Revenue relating to territory fees from franchise partners are spread over the life of the initial contract rather than being recognised in full upon agreement of the contract. This is to reflect the accounting policy of the Group going forward.

(d) Taxation (IAS 12)

IAS 12 takes a balance sheet approach to deferred tax. Deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their respective tax base. This contrasts with UK GAAP which considers timing differences arising in profit and loss.

Adjustments made to the financial statements on the transition to adopted IFRS result in related adjustments to deferred tax, particularly with regard to the recognition of the Hamleys brand on the acquisition of Corporal Limited in 2012.

Reclassifications

The following presentational changes have been made as a result of the conversions to IFRS:

- Deferred tax liabilities are now presented as a separate line item within non-current assets or liabilities. Under UK GAAP, these were included within the creditors balance;
- Current tax assets and liabilities are now presented as separate line items on the face of the statement of financial position.

Cash flow statement

There are no significant differences between the cash flow statements as presented under IFRS and under UK GAAP.

26 POST BALANCE SHEET EVENTS

On 25 November 2015 the entire share capital of Ludendo Enterprises UK Limited, an intermediate holding company, was acquired by C.banner International Holdings Limited, a company incorporated in Bermuda.

On 25 November 2015 the Group repaid the shareholder loans included in interest-bearing loans and borrowings and replaced them with new parent company finance.

On 14 January 2016 Hamleys Group Limited acquired 80% of the share capital of HScan Holdings ApS in exchange for £1.9m which was included in trade receivables at 16 December 2015 and £0.5m in cash considerations.

27 ULTIMATE PARENT COMPANY

Until 25 November 2015 the Group was a subsidiary undertaking of Ludendo Entreprises SAS, which was the ultimate parent company, incorporated in France.

As described in note 26, on 25 November 2015 the Group was acquired by C.banner International Holdings Limited. Following the acquisition the Company's ultimate parent company and controlling party is C.banner International Holdings Limited, a company incorporated in Bermuda.

C. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 August 2015. No dividend or distribution has been declared or made by any companies comprising the Target Group in respect of any period subsequent to 31 August 2015.

Yours faithfully,

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Set out below is the management discussion and analysis of Hamleys Global Holdings Limited (formerly Ludendo Enterprises UK Limited) ("LEUK") for (i) the five months period ended 31 December 2012 since the incorporation of LEUK on 3 August 2012; (ii) the 12 months period ended 31 December 2013; (iii) the 14 months period ended 28 February 2015; and (iv) the six months period ended 31 August 2015.

In light of the difference in length of the financial years ended 31 December 2012 and 31 December 2013, certain financial figures for the financial year ended 31 December 2013 have been shortened for comparison purpose and provided for reference only in the section headed "FINANCIAL OVERVIEW" below. Although LEUK was incorporated on 3 August 2012, LEUK only commenced trading on 17 September 2012, the date it acquired Corporal Limited and its subsidiaries. For this reason, in preparing the 31 December 2013 shortened figures, the financial results of the last four months (i.e. September 2013 to December 2013) have been used so that a more meaningful comparison can be made with the 15 week trading period ended December 2012.

Similarly, due to the difference in length of the financial years ended 31 December 2013 and 28 February 2015, certain financial figures for the financial year ended 28 February 2015 have been annualised for comparison purpose and provided for reference only in the section headed "FINANCIAL OVERVIEW" below. In preparing such annualised figures, given the seasonal nature of LEUK's business, the financial results of the first two months (i.e. January and February 2014) of the financial year ended 28 February 2015 have been excluded so that a more meaningful comparison can be made with the financial results of the financial year ended 31 December 2013.

BUSINESS OVERVIEW

The principal activity of the group is the retailing of toys. The group develops its core Hamleys brand through a variety of channels to market. This includes operating large format standalone stores (principally in the UK, Ireland and Finland), operating a retail franchising model with presence in selected territories around the world and operating a complementary website. The group offers customers a uniquely interactive retail destination for children's toy shopping combining fun, entertainment and theatre.

FINANCIAL OVERVIEW

Revenue:

LEUK's revenue is generated from the sale of goods to external customers and franchisees and franchise revenue in the form of royalties, territory and store opening support fees. Similar to other retail businesses, LEUK experiences seasonality in its financial information with the period up to Christmas being the most significant in terms of revenue. Revenue in this six week period represents approximately 23.6% of 2015 annualised revenue.

Period ended 31 December 2013

For the 12 months period ended 31 December 2013, LEUK recorded revenue of £52.98 million (the four months period ended 31 December 2012: £22.97 million). This amount, if shortened, will equal to approximately £26.07 million, representing an increase of 13.50% compared with the four months period ended 31 December 2012. The increase in revenue was mainly attributable to the following reasons: (i) annualisation of the Cardiff and Ashford stores, which opened in November 2012 and December 2012 respectively, (ii) opening of the Manchester and Heathrow Terminal 5 stores, which opened in November 2013 and July 2013 respectively and (iii) improved performance in our flagship store.

Period ended 28 February 2015

For the 14 months period ended 28 February 2015, LEUK recorded revenue of £68.02 million (the 12 months period ended 31 December 2013: £52.98 million). This amount, if annualised, will equal to approximately £59.92 million, representing a 13.10% increase compared with the 12 months period ended 31 December 2013. The increase in revenue was mainly attributable to the following reasons: (i) annualisation of the Manchester store, which was opened in November 2013 and reopening of the Stansted store in September 2014, (ii) opening of a number of franchise stores and growth of existing franchise stores of which LEUK receives royalties from and sells inventory to, (iii) favourable currency gains on transactions with franchise partners and (iv) new revenue from support services provided to one of the franchise partners.

Period ended 31 August 2015

For the six months period ended 31 August 2015, LEUK recorded revenue of £28.94 million (the six months period ended 31 August 2014: £26.62 million), representing a 8.72% increase compared to the same period last year.

Gross profit:

Period ended 31 December 2013

For the 12 months period ended 31 December 2013, LEUK recorded gross profit of £30.36 million (the four month period ended 31 December 2012: £12.28 million). This amount, if shortened, will equal to approximately £14.41 million, representing a 17.35% increase compared with the four months period ended 31 December 2012. The increase in gross profit was mainly attributable to the following reasons: (i) increase in revenue as disclosed above, (ii) increase in trade discounts and supplier funding and (iii) change of product mix being sold.

Period ended 28 February 2015

For the 14 months period ended 28 February 2015, LEUK recorded gross profit of £37.83 million (the 12 months period ended 31 December 2013: £30.36 million). This amount, if annualised, will equal to approximately £33.29 million, representing a 9.65% increase compared with the 12 months period ended 31 December 2013. Gross profit has not increased in line with revenue for the same period as LEUK make a lower margin on the sale of inventory to franchises compared to external customers.

Period ended 31 August 2015

For the six months period ended 31 August 2015, LEUK recorded gross profit of £16.00 million (the six months period ended 31 August 2014: £15.02 million), representing a 6.52% increase compared to the same period last year.

Sales and distribution expenses:

Period ended 31 December 2013

For the 12 months period ended 31 December 2013, LEUK incurred sales and distribution expenses of £17.76 million (the four months period ended 31 December 2012: £5.91 million). This amount, if shortened, will equal to approximately £5.91 million, representing an increase of 0.00% compared to the four months period ended 31 December 2012.

Period ended 28 February 2015

For the 14 months period ended 28 February 2015, LEUK incurred sales and distribution expenses of £23.13 million (the 12 months period ended 31 December 2013: £17.76 million). This amount, if annualised, will equal to approximately £20.08 million, representing a 13.06% increase compared to the 12 months period ended 31 December 2013. The increase in sales and distribution expenses was mainly attributable to the following reasons: (i) annualisation of Manchester and Stansted distribution costs and (ii) increase in payroll costs across the retail stores.

Period ended 31 August 2015

For the six months period ended 31 August 2015, LEUK incurred sales and distribution expenses of £10.34 million (the six months period ended 31 August 2014: £9.91 million), representing a 4.34% increase compared to the same period last year.

Administrative expenses:

Period ended 31 December 2013

For the 12 months period ended 31 December 2013, LEUK incurred administration expenses of £9.02 million (the four months period ended 31 December 2012: £3.27 million). This amount, if shortened, will equal to approximately £3.42 million representing an increase of 4.59% compared to the four months period ended 31 December 2012.

Period ended 28 February 2015

For the 14 months period ended 28 February 2015, LEUK incurred administrative expenses of £10.39 million (the 12 months period ended 31 December 2013: £9.02 million). This amount, if annualised, will equal to approximately £8.69 million, representing a 3.66% decrease compared to the 12 months period ended 31 December 2013.

Period ended 31 August 2015

For the six months period ended 31 August 2015, LEUK incurred administrative expenses of £5.27 million (the six months period ended 31 August 2014: £4.81 million), representing a 9.56% increase compared to the same period last year. The increase in administration expenses was mainly attributable to the increase in payroll costs, principally director costs and temporary finance staff.

Net profit:

Period ended 31 December 2013

For the 12 months period ended 31 December 2013, LEUK recorded net profit of £2.28 million (the 4 months period ended 31 December 2012: £1.48 million). This amount, if shortened, will equal to approximately £4.48 million, representing an increase of 202.70% compared to the four months period ended 31 December 2012. The increase in net profit was mainly attributable to the following reasons: (i) increase in gross profit and (ii) decrease in tax due to the effect of tax rate changes.

Period ended 28 February 2015

For the 14 months period ended 28 February 2015, LEUK recorded net profit of £1.66 million (the 12 months period ended 31 December 2013: £2.28 million). This amount, if annualised, will equal to approximately £2.58 million, representing an increase of 13.16% compared to the 12 months period ended 31 December 2013. The increase in net profit was mainly attributable to the release of an interest provision and strong revenue growth, which resulted in a higher net profit despite increases in selling and distribution expenses.

Period ended 31 August 2015

For the six months period ended 31 August 2015, LEUK recorded net loss of £(0.71) million (the six months period ended 31 August 2014: £(0.66) million), representing an increase of 7.58% in magnitude of net loss compared to the same period last year.

Trade and other payables:

Period ended 31 December 2013

As at 31 December 2013, the amount of trade and other payables of LEUK was £27.04 million (31 December 2012: £22.30 million), representing an increase of 21.25%. This increase was mainly attributable to the following reasons: (i) higher levels of inventory and other expenses to support the annualised existing stores and new stores, (ii) timing of payroll payments, (iii) increase in shareholder loan interest, (iv) additional capital expenditure and (v) parent management charges.

Period ended 28 February 2015

As at 28 February 2015, the amount of trade and other payables of LEUK was £16.79 million (31 December 2013: £27.04 million), representing a decrease of 37.91% compared to the amount of trade and other payables as at 31 December 2013, mainly due to the timing of payments in the reporting periods. Trade and other payables are high in December from the buildup of inventory and other expenses in the lead up to Christmas, LEUK's biggest trading period. These payables are paid by February resulting in a lower trade and other payables balance at this point of time.

Period ended 31 August 2015

As at 31 August 2015, the amount of trade and other payables of LEUK was £17.88 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, LEUK's net current assets was £(0.16) million compared to £1.40 million as at 31 December 2012. The change in net current assets was mainly due to the finalisation of the shareholder loan repayment schedule, where amounts due under the loan became current as at December 2013. LEUK's net current assets increased to £2.20 million as at 28 February 2015. The change in net current assets was mainly due to the payment of trade and other payables and the increase in inventory post the Christmas period. As at 31 August 2015, the net current assets of LEUK were £1.09 million.

As at 31 December 2013, LEUK's cash and cash equivalents was £9.47 million compared to £7.32 million as at 31 December 2012. This increase was mainly attributable to the following reasons: (i) HSBC £1.00 million capital expenditure loan and (ii) increase in sales due to the opening of new stores, annualisation of existing stores and improved sales in the flagship store. LEUK's cash and cash equivalents decreased to £1.52 million as at 28 February 2015. This decrease was mainly due to the payment of inventory purchased and other expenses incurred in the lead up to Christmas. As at 31 August 2015, the cash and cash equivalents of LEUK amounted to £1.95 million.

At each balance sheet date, LEUK had related party borrowings with its parent company Ludendo Entreprises SAS. LEUK had two shareholder loans with Ludendo Entreprises SAS totaling £29.24 million as at 31 December 2012, £29.62 million as at 31 December 2013, £29.71 million as at 28 February 2015 and £28.62 million as at 31 August 2015. Loan 1 was repayable in full on 16 September 2017 and loan 2 was repayable in equal instalments commencing 16 September 2016 with the final balance expected to be repaid in September 2025. Both loans carried interest at LIBOR + 4.6% and were denominated in GBP. These loans have been fully repaid at the point of the transaction and replaced with new parent company financing.

LEUK also had outstanding bank loans of £nil, £0.96 million, £0.59 million and £0.60 million as at 31 December 2012, 31 December 2013, 28 February 2015 and 31 August 2015 respectively, which were payable in equal instalments and were expected to be repaid in full by July 2017. The bank loans carried interest at LIBOR + 3.2% and were denominated in GBP.

EMPLOYEES

As at 31 August 2015, LEUK had 668 employees; as at 28 February 2015, 31 December 2013 and 31 December 2012, LEUK had 598 employees, 741 employees and 651 employees, respectively.

The high employee numbers in the December periods are due to additional temporary staff employed for the busy Christmas period. The total employee benefit expenses were £6.32 million, £13.66 million, £10.11 million and £3.40 million, respectively, for the six months ended 31 August 2015 and the financial years ended 28 February 2015, 31 December 2013 and 31 December 2012.

LEUK recruits, employs, promotes and remunerates employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. During 31 December 2012 to 31 August 2015, LEUK operated a bonus scheme, which was triggered when salaried employees achieved the board approved budgeted EBITDA. If the bonus was achieved, a supplemental amount became available based on key performance indicators.

LEUK provides training (in-house and out-sourced) to employees when necessary.

SEGMENTAL INFORMATION

LEUK did not have any segments as at 31 December 2012, 31 December 2013, 28 February 2015 and 31 August 2015.

CHARGE OF ASSETS

As at 31 August 2015, LEUK had £1.10 million in respect of assets held under hire purchase contracts. These assets are charged on specific fixtures and fittings, IT software and IT equipment. LEUK did not have any charge of assets as at 31 December 2012, 31 December 2013 and 28 February 2015.

SIGNIFICANT INVESTMENTS, CAPITAL ASSETS, ACQUISITIONS AND DISPOSAL

On 17 September 2012, LEUK acquired 100% of the issued capital of Corporal Limited and subsidiary undertakings for £42.81 million, which was satisfied in cash. During the period from 1 August 2012 to 31 August 2015, LEUK did not have any significant disposals in connection with any subsidiaries and associates.

LEUK commenced operations in Helsinki in November 2015. On 14 January 2016 Hamleys Group Limited acquired 80% of the share capital of HScan Holdings ApS in exchange for £1.9 million which was included in its trade receivables at 16 December 2015 and £0.5 million in cash considerations.

During the period from 1 August 2012 to 31 August 2015, LEUK underwent several capital projects in the opening of several new UK standalone stores. Capital commitments as at 31 December 2012, 31 December 2013, 28 February 2015 and 31 August 2015 were £0.23 million, £0.40 million, £0.58 million and nil respectively.

GEARING RATIO

The gearing ratio of LEUK which is equal to the total liabilities over total assets as at 31 December 2012, 31 December 2013, 28 February 2015 and 31 August 2015 was approximately 65.55%, 65.90% and 61.80% and 63.04%, respectively.

FOREIGN CURRENCY RISK

LEUK operates internationally and is, therefore, exposed to the foreign exchange risk which can negatively impact revenue, costs, margins and profit. While LEUK does not have a formal foreign currency hedging policy, LEUK self-hedges as revenue from franchise partners is collected in USD and a similar value of inventory is bought in USD. LEUK will monitor its foreign currency and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

LEUK did not have any material contingent liabilities as at 31 December 2012, 31 December 2013, 28 February 2015 and 31 August 2015.

FUTURE PLANS

Save as disclosed above, there are no other committed material investment, capital assets and expected source of funding.

A. INTRODUCTION

The following unaudited pro forma financial information of the Group ("Unaudited Pro Forma Financial Information") have been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the Acquisition.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the acquisition of 100% equity interest of the Target Company been completed as at 30 June 2015 or at any future date. The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

		pro forma adjustment			
	The Group's assets and liabilities at 30 June 2015	**The carrying amount of the Target Group's identifiable assets and liabilities (excluding goodwill) at 31 August 2015**	**Consideration for the Acquisition and goodwill arising from the Acquisition**	**Acquisition costs**	**Unaudited pro forma consolidated assets and liabilities of the enlarged Group as at 30 June 2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*	*Note 2*	
Non-current assets					
Property, plant and equipment	185,344	102,487	–	–	287,831
Goodwill	5,725	–	616,907	–	622,632
Prepaid lease payments	14,004	–	–	–	14,004
Intangible assets	4,209	385,736	–	–	389,945
Prepayments for intangible assets	6,362	–	–	–	6,362
Interest in an associate	25,774	–	–	–	25,774
Interest in a joint venture	7,158	–	–	–	7,158
Deferred tax assets	65,247	–	–	–	65,247
Long-term deposit	21,465	–	–	–	21,465
	335,288	488,233	616,907	–	1,440,418
Current assets					
Inventories	828,040	123,015	–	–	951,055
Trade receivables	390,517	33,767	–	–	424,284
Other receivables and prepayments	109,661	41,838	–	–	151,499
Held-to-maturity investments	26,990	–	–	–	26,990
Other financial assets	109,282	–	–	–	109,282
Bank balances and cash	436,176	18,764	(454,940)	–	–
	1,900,666	217,384	(454,940)	–	1,663,110

		pro forma adjustment			
	The Group's assets and liabilities at 30 June 2015	The carrying amount of the Target Group's identifiable assets and liabilities (excluding goodwill) at 31 August 2015	Consideration for the Acquisition and goodwill arising from the Acquisition	Acquisition costs	Unaudited pro forma consolidated assets and liabilities of the enlarged Group as at 30 June 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 2*	*Note 2*	
Current liabilities					
Trade payables	167,309	60,592	–	–	227,901
Other payables	170,231	68,035	281,502	20,337	540,105
Income tax liabilities	27,184	6,402	–	–	33,586
Deferred revenue	28,962	–	–	–	28,962
Convertible bonds	171,725	–	–	–	171,725
Derivative financial instruments	8,028	–	–	–	8,028
Provisions	–	3,230	–	–	3,230
Interest-bearing loans and borrowings	–	68,624	–	–	68,624
	573,439	206,883	281,502	20,337	1,082,161
Net current assets	1,327,227	10,501	(736,442)	(20,337)	580,949
Total assets less current liabilities	1,662,515	722,847	(119,535)	(20,337)	2,021,367
Non-current liabilities					
Other payables	–	43,795	–	–	43,795
Provisions	–	868	–	–	868
Interest-bearing loans and borrowings	–	265,565	–	–	265,565
Deferred tax liabilities	2,566	68,961	–	–	71,527
	2,566	379,189	–	–	381,755
Net Assets	1,659,949	119,535	(119,535)	(20,337)	(1,639,612)

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The financial information of the Group as at 30 June 2015 is based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2015, which has been extracted from the unaudited condensed consolidated financial statements of the Group for six months ended 30 June 2015 included in the interim report of the Company for six months ended 30 June 2015 as published on 29 September 2015.

2. The carrying amount of the identifiable assets and liabilities of the Target Group (excluding goodwill) as at 31 August 2015 is extracted from the accountants' report of the Target Company as set out in Appendix II to this circular, translated to RMB at GBP1.00 to RMB9.6422, exchange rate provided by the People's Bank of China as of 30 June 2015, and is adopted for the purpose of illustration only and no representation is made that any amounts in GBP have been, could have been, or could be, exchanged at this rate or any other rate or at all, and after making certain reclassification adjustments to conform with the presentation of the Group's financial information.

   The acquisition of the Target Group is accounted for as a business combination in accordance with International Financial Reporting Standard 3 (Revised) ("IFRS 3") "Business Combinations" and will be accounted for using the acquisition method of accounting.

   For the purpose of preparation of this pro forma financial information and for simplicity, it is assumed that (i) the carrying amount of the assets and liabilities of the Target Group as at 31 August 2015 approximate their fair value or other measurement basis as required by IFRS 3 as at 30 June 2015, as applicable; and (ii) there were no other identifiable assets and liabilities other than those recorded by the Target Group as at 30 June 2015.

   However, we would like to bring to your attention that,

   a) the actual amounts of the identifiable net assets acquired together with the resulting goodwill to be recognized by the Group as a result of the Acquisition, are all depending upon the eventual purchase price allocation in accordance with IFRS 3, which in turn is subject to a number of variable factors, including but not limited to, the finalization of the identification and valuation of all assets and liabilities acquired within the measured period.

   b) Pursuant to the terms of the Share Sale and Purchase Agreement, Consideration for the Acquisition is determined based on the net amount of cash consideration of GBP 100,000,000 (equivalent to approximately RMB964,220,000) less the amount of the Junior Shareholder Loan and Senior Shareholder Loan as at the actual Completion Date in excess of GBP5,000,000 (equivalent to approximately RMB48,211,000).

   However, for the purpose of preparation of the pro forma financial information, the pro forma consideration is determined based on the carrying amount of the Junior Shareholder Loan and Senior Shareholder Loan in aggregate of GBP28,623,000 (equivalent to approximately RMB 275,989,000) as at 31 August 2015 as extracted from the accountants' report included in Appendix II, which for simplicity are assumed to approximate those outstanding as at 30 June 2015, the pro forma Completion Date. Therefore, the pro forma consideration is different from that the actual consideration determined based on the actual Completion Date on 25 November 2015 of approximately GBP75,242,000 (equivalent to approximately RMB724,927,000).

Goodwill is estimated as follows:

	RMB'000
Consideration transferred (GBP100,000,000-(GBP28,623,000-GBP5,000,000))*9.6422 (A)	736,442*
Less:	
Identifiable assets and liabilities of the Target Group (B)	119,535
Goodwill (C = A-B)	616,907

* *The Consideration in GBP is converted into RMB at the rate of GBP1.00 to RMB9.6422. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at that rate or any other rate or at all.*

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the directors of the Company have assessed whether the goodwill may be impaired as at 30 June 2015 in accordance with International Accounting Standard 36 "Impairment of Assets" and concluded that there is no impairment on the goodwill arising from the acquisition as at 30 June 2015.

Acquisition Costs

The directors of the Company estimated the total acquisition costs payable would be approximately RMB20,337,000.

3. No adjustments have been made to reflect any trading results or other transaction of the Group or the Target Group entered into subsequent to 30 June 2015.

Subsequent to 30 June 2015, in July 2015, convertible bonds with principal amount of RMB189,024,000 was converted into approximately 96,876,000 ordinary shares. Had the conversion been completed on 30 June 2015, the liability component of the convertible bonds with carrying amount of RMB171,725,000 and derivative component of the convertible bonds with carrying amount of RMB8,028,000 as at 30 June 2015 would be extinguished through the issuance of ordinary shares, the unaudited pro forma consolidated assets and liabilities of the enlarged Group would be increased from RMB1,639,612,000 to RMB1,819,365,000.

D. ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accounts, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in the circular.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF C.BANNER INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of C.banner International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2015 and related notes as set out on pages IV-1 to IV-4 in Appendix IV of the circular issued by the Company dated 22 January 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-4 in Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of a major transaction in relation to the acquisition of the entire issued share capital of Hamleys Global Holdings Limited (the "Target Company", formerly known as Ludendo Enterprises UK Limited) on the Group's financial position as at 30 June 2015 as if the transaction had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2015, on which a report on review of condensed consolidated financial statements has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 January 2016

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which he was taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company
Mr. Chen[1]	Interest in a controlled corporation	749,871,470 (long position)	36.02%
Mr. Miao[2]	Interest in a controlled corporation	160,000,000 (long position)	7.68%
Mr. Wu[3]	Interest in a controlled corporation	124,033,399 (long position)	5.96%
	Beneficial interest	24,000,000 (long position)	1.15%
Mr. Huo Li	Beneficial interest	979,000 (long position)	0.05%
Mr. Zhao Wei	Beneficial interest	520,000 (long position)	0.02%

Note:

1. Mr. Chen is the beneficial owner of all the issued share capital of Hongguo International (formerly known as High Score Holdings Limited) which held 749,871,470 shares of the Company in long position.

2. Mr. Miao is the beneficial owner of all the issued share capital of Sure Manage which held 160,000,000 shares of the Company in long position.

3. Mr. Wu is the beneficial owner of all the issued share capital of Famous Sino Limited which in turn holds a 70% shareholding in China Consumer Capital Partners Limited. China Consumer Capital Partners Limited is the holding company of CCC Fund which was interested in 52,986,600 shares of the Company in long position. Besides, Mr. Wu holds a 90% shareholding in China Consumer Capital Partners II Limited, the holding company of CCC Fund II which was interested in 71,046,799 shares of the Company in long position. Moreover, Mr. Wu is himself the beneficial owner of 24,000,000 shares of the Company in long position.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which he was taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors or the experts described in paragraph 9 of this Appendix had any direct or indirect interest in any assets which had been, since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, the enlarged Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the enlarged Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors nor any of his/her respective associates had any direct or indirect interests in any business that constitutes or may constitute a competing business of the Company.

7. LITIGATION

As at the Latest Practicable Date, no member of the enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the enlarged Group.

8. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that as at the Latest Practicable Date, there has not been any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up.

9. EXPERTS AND CONSENT

The following are the qualifications of the experts who have given advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
KPMG LLP	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, have been entered into by members of the enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(a) the Share Sale and Purchase Agreement;

(b) the Acquisition Facility Agreement;

(c) the Working Capital Facility Agreement; and

(d) the Intercreditor Agreement.

The principal terms of items (b) to (d) above are disclosed in the paragraph headed "Satisfaction of the Consideration" in the Letter from the Board of this circular.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the registered office of the Company in Hong Kong from the date of this circular up to and including 5 February 2016:

(a) the memorandum and articles of association of the Company;

(b) the accountants' report of the Target Group from KPMG LLP as set out in Appendix II to this circular;

(c) the report on the unaudited pro forma financial information of the enlarged Group from Deloitte Touche Tohmatsu as set out in Appendix IV of to this circular;

(d) the interim report of the Company for the six months ended 30 June 2015 and the annual reports of the Company for the three financial years ended 31 December 2012, 2013 and 2014;

(e) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(f) the letters of consent referred to in the paragraph headed "Experts and Consent" in this Appendix; and

(g) this circular.

12. MISCELLANEOUS

The Company's company secretary is Ms. Mandy Mok Ming Wai, director of KCS Hong Kong Limited (a company secretarial service provider).

The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The English text of this circular shall prevail over the Chinese text in case of any inconsistency.