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RUNWAY GLOBAL HOLDINGS COMPANY LIMITED

時尚環球控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8309)

RESULTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Runway Global Holdings Company Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM 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 announcement 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 announcement misleading.

SUMMARY

For the three months ended 31 March 2014:

- the revenue increased by approximately 17.7%, from approximately HK\$41,240,000 for the three months ended 31 March 2013 to approximately HK\$48,521,000 for the three months ended 31 March 2014. The increase in revenue for the period was mainly attributable to the gentle economic recovery of the North America, which is the principal market of the Group;
- loss attributable to the owners of the Company for the three months ended 31 March 2014 was approximately HK\$1,979,000 (three months ended 31 March 2013: profit attributable to the owners of the Company HK\$1,318,000), the change from profit for the three months ended 31 March 2013 to loss for the three months ended 31 March 2014 was mainly attributable to decrease in net fair value gain of derivative financial instruments from approximately HK\$3,335,000 for the three months ended 31 March 2013 to approximately HK\$406,000 for the three months ended 31 March 2014;
- the Board of Directors of the Company (the “Board”) does not recommend the payment of any interim dividend in respect of the three months ended 31 March 2014.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	3	48,521	41,240
Cost of sales		<u>(38,447)</u>	<u>(32,380)</u>
Gross profit		10,074	8,860
Other income and gains	4	1	3
Changes in fair value of derivative financial instruments		406	3,335
Selling and distribution expenses		(4,999)	(3,881)
Administrative expenses		(7,853)	(6,843)
Finance costs		<u>(90)</u>	<u>(83)</u>
(Loss)/Profit before income tax		(2,461)	1,391
Income tax credit/(expense)	5	<u>482</u>	<u>(73)</u>
(Loss)/Profit for the period attributable to the owners of the Company		<u>(1,979)</u>	<u>1,318</u>
Other comprehensive income, net of tax, attributable to the owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		<u>(303)</u>	<u>692</u>
Total comprehensive income for the period attributable to the owners of the Company		<u>(2,282)</u>	<u>2,010</u>
(Loss)/Earning per share attributable to the owners of the Company	7		
Basic and diluted (loss)/earning per share (HK cents)		<u>(0.33)</u>	<u>0.29</u>

NOTES

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The registered office of the Company is at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in designing, manufacturing and trading of apparels. There were no significant changes in the Group's business operation during the period.

Pursuant to a group reorganisation completed on 22 November 2013 (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 27 November 2013. The Company's shares were listed on the GEM by way of placing on 3 December 2013 (the "Listing Date").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and GEM Listing Rules.

The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

The financial statements are presented in Hong Kong dollar ("HK\$") which is also the functional currencies of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

3. REVENUE

Revenue, which is also the Group's turnover, represents the sales of apparels, net of return, discounts, rebate and sales related taxes, during the period.

4. OTHER INCOME AND GAINS

	For the three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Interest income	—	3
Sundry income	1	—
	<u>1</u>	<u>—</u>
	<u>1</u>	<u>3</u>

5. INCOME TAX (CREDIT)/EXPENSE

	For the three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Current income tax charged for the period:		
Hong Kong profits tax	—	371
The People's Republic of China (the "PRC") enterprise income tax ("EIT")	—	—
United States Federal corporate income tax	<u>8</u>	<u>14</u>
	<u>8</u>	<u>385</u>
Deferred tax credited for the period	<u>(490)</u>	<u>(312)</u>
	<u>(482)</u>	<u>73</u>

(i) British Virgin Islands ("BVI") and the Cayman Islands income tax

Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions during the three months ended 31 March 2014 (three months ended 31 March 2013: nil).

(ii) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% (three months ended 31 March 2013: 16.5%) on the estimated assessable profits for the period for a subsidiary incorporated in Hong Kong.

(iii) PRC EIT

PRC EIT is provided at 25% (three months ended 31 March 2013: 25%) on the estimated assessable profits for the period for a subsidiary in the PRC.

(iv) PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding income tax is levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 are subject to this withholding income tax. The withholding income tax rate applicable to the Group is 5% (three months ended 31 March 2013: 5%).

(v) United States Federal corporate income tax

United States Federal corporate income tax is calculated at 15% (three months ended 31 March 2013: 15%) for the period on the estimated assessable profits for a subsidiary incorporated in the United States of America.

6. DIVIDENDS

(a) Dividend payable to the owners of the Company attributable to the period:

No dividend was paid or proposed to the owners of the Company during the three months ended 31 March 2014, nor has any dividend been proposed since the end of reporting period and up to the date of this announcement.

(b) Dividends declared and paid to the then owners of a subsidiary of the Company prior to the completion of the Reorganisation:

During the three months ended 31 March 2013, a subsidiary of the Company declared and paid interim dividends of HK\$0.13 per ordinary share (totaling HK\$390,000) to its then owners prior to the completion of the Reorganisation.

7. (LOSS)/EARNING PER SHARE

The calculations of basic (loss)/earning per share are based on the loss attributable to the owners of the Company for the three months ended 31 March 2014 of approximately HK\$1,979,000 (three months ended 31 March 2013: profit attributable to the owners of the Company HK\$1,318,000) and the weighted average of 600,000,000 shares in issue during the three months ended 31 March 2014 (three months ended 31 March 2013: the weighted average of 450,000,000 shares).

Diluted (loss)/earning per share were same as the basic (loss)/earning per share as there were no dilutive potential ordinary shares in existence during the three months ended 31 March 2014 and 2013 respectively.

8. RESERVE

	Share premium <i>HK\$ '000</i>	Merger reserve <i>HK\$ '000</i>	Statutory reserve <i>HK\$ '000</i>	Translation reserve <i>HK\$ '000</i>	Retained earnings <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 January 2013	—	—	1,235	5,465	47,025	53,725
Profit for the period	—	—	—	—	1,318	1,318
Other comprehensive income						
— Exchange gain on translation of financial statements of foreign operations	—	—	—	692	—	692
Total comprehensive income for the period	—	—	—	692	1,318	2,010
Transaction with owners						
— Profit distribution prior to the listing (note 6(b))	—	—	—	—	(390)	(390)
At 31 March 2013	—	—	1,235	6,157	47,953	55,345
At 1 January 2014	40,690	2,988	1,719	6,188	39,680	91,265
Loss for the period	—	—	—	—	(1,979)	(1,979)
Other comprehensive income						
— Exchange loss on translation of financial statements of foreign operations	—	—	—	(303)	—	(303)
Total comprehensive income for the period	—	—	—	(303)	(1,979)	(2,282)
At 31 March 2014	40,690	2,988	1,719	5,885	37,701	88,983

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in designing, manufacturing and trading of apparels with a focus on women's fashion outerwear such as coats and jackets, dresses, activewear, pants and jeans.

The Group's turnover is principally derived from the sales of apparel products. The Group's products can be classified into two categories, namely, private label products and own brand products. Private label products are those designed and manufactured under the private labels owned or specified by the Group's customers, while own brand products are those designed and manufactured under the Group's proprietary labels.

REVENUE

The revenue increased by approximately 17.7%, from approximately HK\$41,240,000 for the three months ended 31 March 2013 to approximately HK\$48,521,000 for the three months ended 31 March 2014. The increase in revenue for the period was mainly attributable to the gentle economic recovery of the North America, which is the principal market of the Group.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) import duty; (ii) transportation costs for delivery of the products; (iii) rental costs of our showroom; and (iv) staff cost for our sales representatives. The selling and distribution expenses for the period increased by approximately 28.8%, from approximately HK\$3,881,000 for the three months ended 31 March 2013 to approximately HK\$4,999,000 for the three months ended 31 March 2014, which was in line with increase in revenue for the period.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) staff costs; (ii) rental expenses; (iii) bank charges and (iv) depreciation of property, plant and equipment. The administrative expenses for the period increased by approximately 14.8%, from approximately HK\$6,843,000 for the three months ended 31 March 2013 to approximately HK\$7,853,000 for the three months ended 31 March 2014.

LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Loss attributable to the owners of the Company for the three months ended 31 March 2014 was approximately HK\$1,979,000 (three months ended 31 March 2013: profit attributable to the owners of the Company HK\$1,318,000), the change from profit for the three months ended 31 March 2013 to loss for the three months ended 31 March 2014 was mainly attributable to decrease in net fair value gain of derivative financial instruments from approximately HK\$3,335,000 for the three months ended 31 March 2013 to approximately HK\$406,000 for the three months ended 31 March 2014.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which 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 interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company

Name	Capacity/nature of interest	Number of shares	Percentage of interests
Mr. Hubert Tien	Interest in controlled corporation (Note 1)	225,000,000	37.5%
Mr. Farzad Gozashti	Interest in controlled corporation (Note 2)	225,000,000	37.5%

Notes:

1. These shares are held by All Divine Limited, which is wholly owned by Mr. Hubert Tien. By virtue of the SFO, Mr. Hubert Tien is deemed to be interested in the 225,000,000 shares under the SFO.
2. These shares are held by Fortune Zone Global Limited, which is wholly owned by Mr. Farzad Gozashti. By virtue of the SFO, Mr. Farzad Gozashti is deemed to be interested in the 225,000,000 shares under the SFO.

Save as disclosed above, as at 31 March 2014, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2014, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than the Directors or the chief executive of the Company) which had 5% or more interests in the shares and the underlying shares as recorded in the register kept under section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity/nature of interest	Number of shares	Percentage of interests
All Divine Limited	Beneficial owner	225,000,000	37.5%
Fortune Zone Global Limited	Beneficial owner	225,000,000	37.5%
Ms. Sallie Gozashti	Interest of spouse (<i>Note 1</i>)	225,000,000	37.5%

Note:

1. As Fortune Zone Global Limited is wholly and beneficial owned by Mr. Farzad Gozashti, Ms. Sallie Gozashti, being the spouse of Mr. Farzad Gozashti, is deemed to be interested in the 225,000,000 shares held by Fortune Zone Global Limited under the SFO.

Save as disclosed above, as at 31 March 2014, the Directors were not aware of any other persons/entities (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the "Eligible Participant") as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 22 November 2013 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the Listing Date.

As at the date of this announcement, the total number of shares available for issue under the Scheme is 60,000,000 shares, representing 10% of the issued share capital of the Company.

Since the adoption of the Scheme and during the three months ended 31 March 2014, no share options were granted, exercised, lapsed or cancelled, and as at 31 March 2014, no share options under the Scheme were outstanding.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the reporting period.

COMPLIANCE ADVISER'S INTERESTS

As at 31 March 2014, except for the compliance adviser's agreement entered into between the Company and Messis Capital Limited, the Company's compliance adviser, on 26 November 2013, neither the Company's compliance adviser nor its directors, employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as notified by the Company's compliance adviser.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value. The Company's corporate governance practices are based on the principles and code provision as set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 15 to the GEM Listing Rules.

Throughout the reporting period, the Company has complied with the CG Code with the exception from the deviation from the CG Code provisions A.1.8 as explained below:

Under the CG Code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. No insurance cover has been arranged for the Directors up to the date of this announcement since the Directors take the view that the Company shall support Directors arising from corporate activities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standard of Dealings"). The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the Required Standard of Dealings throughout the three months ended 31 March 2014.

AUDIT COMMITTEE

The Board has established an audit committee on 22 November 2013 with written terms of reference in compliance with the CG Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely, Mr. Lai Man Sing, Mr. Tang Tsz Kai, Kevin and Mr. Tang Shu Pui, Simon. Mr. Lai Man Sing is the chairman of the audit committee. The unaudited consolidated results of the Group for the three months ended 31 March 2014 have been reviewed by the audit committee members who have provided advice and comments thereon.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2014.

By order of the Board
Runway Global Holdings Company Limited
Hubert Tien
Chairman

Hong Kong, 7 May 2014

As at the date of this announcement , the executive directors are Mr. Hubert Tien and Mr. Farzad Gozashti, and the independent non-executive directors are Mr. Lai Man Sing, Mr. Tang Shu Pui, Simon and Mr. Tang Tsz Kai, Kevin.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkexnews.hk for at least seven days from the date of its publication and the Company’s website at www.runwayglobal.com.