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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)**

#### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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.*

*This announcement will remain on the “Latest Company Report” page of the GEM website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the date of its publication and the Company’s website at [www.runwayglobal.com](http://www.runwayglobal.com).*

## SUMMARY

For the six months ended 30 June 2014:

- the Group's revenue increased from approximately HK\$79,458,000 for the six months ended 30 June 2013 to approximately HK\$92,567,000 for the six months ended 30 June 2014, representing an increase of approximately 16.5% in comparison to the corresponding period in 2013. The increase in revenue for the period was mainly attributable to (i) our increased efforts to boost our sales; and (ii) the gentle economic recovery of the North America, which is the principal market of the Group;
- the loss attributable to the owners of the Company decreased from approximately HK\$6,253,000 for the six months ended 30 June 2013 to approximately HK\$5,142,000 for the six months ended 30 June 2014, representing a decrease of approximately 17.8% to that of the corresponding period in 2013. The decrease in loss attributable to the owners of the Company was mainly attributable to (i) an increase in the Group's revenue for the period; and (ii) our adherence to prudent cost control measures so that the selling and administrative expenses did not change in the same pace with the increase in revenue;
- The Group's inventories increased by approximately 279.0%, from approximately HK\$18,486,000 as at 31 December 2013 to approximately HK\$70,053,000 as at 30 June 2014. The increase in inventories was primarily because (i) starting from second quarter each year, the Group's customers generally start placing orders with the Group for the peak seasons' winter clothing; (ii) for the production of such peak season orders, the Group generally needs to purchase more new raw materials, resulting in significant amount of raw materials inventory as at 30 June 2014 compared to 31 December 2013.
- the Board of Directors of the Company (the "Board") does not recommend the payment of any interim dividend.

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months ended 30 June 2014

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Revenue</b>	4	<b>44,046</b>	38,218	<b>92,567</b>	79,458
Cost of sales		<u>(35,929)</u>	<u>(30,088)</u>	<u>(74,376)</u>	<u>(62,468)</u>
<b>Gross profit</b>		<b>8,117</b>	8,130	<b>18,191</b>	16,990
Other income and gains	5	<b>58</b>	183	<b>59</b>	186
Change in fair value of derivative financial instruments		<b>(321)</b>	204	<b>85</b>	3,539
Selling and distribution expenses		<b>(3,678)</b>	(4,275)	<b>(8,677)</b>	(8,156)
Administrative expenses		<b>(7,889)</b>	(12,566)	<b>(15,742)</b>	(19,409)
Finance costs		<u>(61)</u>	<u>(199)</u>	<u>(151)</u>	<u>(282)</u>
<b>Loss before income tax</b>	6	<b>(3,774)</b>	(8,523)	<b>(6,235)</b>	(7,132)
Income tax credit	7	<u>611</u>	<u>952</u>	<u>1,093</u>	<u>879</u>
<b>Loss for the period attributable to the owners of the Company</b>		<b><u>(3,163)</u></b>	<b><u>(7,571)</u></b>	<b><u>(5,142)</u></b>	<b><u>(6,253)</u></b>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the three and six months ended 30 June 2014

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Other comprehensive income, net of tax, attributable to the owners of the Company</b>					
<b>Item that may be reclassified subsequently to profit or loss:</b>					
Exchange gain/(loss) on translation of financial statements of foreign operations		3	(405)	(300)	287
<b>Total comprehensive income for the period attributable to the owners of the Company</b>		<b><u>(3,160)</u></b>	<b><u>(7,976)</u></b>	<b><u>(5,442)</u></b>	<b><u>(5,966)</u></b>
<b>Loss per share attributable to the owners of the Company</b>					
Basic and diluted loss per share (HK cents)	9	<b><u>(0.53)</u></b>	<b><u>(1.68)</u></b>	<b><u>(0.86)</u></b>	<b><u>(1.39)</u></b>

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	<b>Unaudited As at 30 June 2014 HK\$'000</b>	<b>Audited As at 31 December 2013 HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>17,386</b>	17,270
Payments for leasehold land held for own use under operating leases		<b>2,085</b>	2,129
Deferred tax assets		<b>864</b>	–
		<b>20,335</b>	19,399
<b>Current assets</b>			
Inventories	<i>11</i>	<b>70,053</b>	18,486
Trade and bill receivables	<i>12</i>	<b>36,501</b>	77,635
Deposits, prepayments and other receivables		<b>21,340</b>	19,577
Derivative financial instruments		<b>837</b>	1,396
Tax recoverable		<b>124</b>	–
Pledged bank deposits		<b>8,660</b>	9,420
Cash and cash equivalents		<b>22,993</b>	51,037
		<b>160,508</b>	177,551
<b>Current liabilities</b>			
Trade and bill payables	<i>13</i>	<b>62,973</b>	72,712
Accruals, other payables and receipts in advance		<b>19,890</b>	17,178
Interest-bearing borrowings	<i>14</i>	<b>5,162</b>	9,392
Provision for taxation		<b>–</b>	231
		<b>88,025</b>	99,513
<b>Net current assets</b>		<b>72,483</b>	78,038
<b>Total assets less current liabilities</b>		<b>92,818</b>	97,437

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

*As at 30 June 2014*

	<i>Notes</i>	<b>Unaudited As at 30 June 2014 HK\$'000</b>	<b>Audited As at 31 December 2013 HK\$'000</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	<i>14</i>	<u>995</u>	<u>172</u>
<b>Net assets</b>		<b><u>91,823</u></b>	<b><u>97,265</u></b>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	<i>15</i>	6,000	6,000
Reserves		<u>85,823</u>	<u>91,265</u>
<b>Total equity</b>		<b><u>91,823</u></b>	<b><u>97,265</u></b>

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	6,000	40,690	2,988	1,719	6,188	39,680	97,265
Loss for the period	–	–	–	–	–	(5,142)	(5,142)
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(300)	–	(300)
<b>Total comprehensive income for the period</b>	–	–	–	–	(300)	(5,142)	(5,442)
At 30 June 2014	<u>6,000</u>	<u>40,690</u>	<u>2,988</u>	<u>1,719</u>	<u>5,888</u>	<u>34,538</u>	<u>91,823</u>
At 1 January 2013	3,008	–	–	1,235	5,465	47,025	56,733
Loss for the period	–	–	–	–	–	(6,253)	(6,253)
Other comprehensive income							
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	287	–	287
<b>Total comprehensive income for the period</b>	–	–	–	–	287	(6,253)	(5,966)
Profit distribution prior to the listing ( <i>note 8(b)</i> )	–	–	–	–	–	(20,390)	(20,390)
<b>Transactions with owners</b>	–	–	–	–	–	(20,390)	(20,390)
At 30 June 2013	<u>3,008</u>	<u>–</u>	<u>–</u>	<u>1,235</u>	<u>5,752</u>	<u>20,382</u>	<u>30,377</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2014*

	<b>For the six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash used in operating activities</b>	<b>(24,000)</b>	<b>(33,694)</b>
<b>Net cash (used in)/generated from investing activities</b>	<b>(408)</b>	<b>958</b>
<b>Net cash used in financing activities</b>	<b>(3,407)</b>	<b>(3,662)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(27,815)</b>	<b>(36,398)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>51,037</b>	<b>37,550</b>
Effect of foreign exchange rates, net	<b>(229)</b>	<b>320</b>
<b>Cash and cash equivalents at end of the period</b>	<b>22,993</b>	<b>1,472</b>



## 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 "Prospectus"). 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 of the Group for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), 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 ("HKICPA"). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinances 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 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 January 2014. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

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. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. For the reporting period, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole reported under HKFRSs. Therefore, the executive directors have determined that the Group has only one single business component/reportable segment as the Group is only engaged in designing, manufacturing and trading of apparels. The executive directors allocate resources and assess performance on an aggregated basis. Accordingly, no operating segment is presented.

The Company is an investment holding company and the principal places of the Group's operations are in the PRC and Hong Kong. Management determines the Group is domiciled in Hong Kong, which is the Group's principal operating location.

The Group's revenue from external customers is divided into the following geographical areas:

	<b>Unaudited</b>			
	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
United States	<b>26,667</b>	23,986	<b>46,742</b>	43,993
Canada	<b>16,813</b>	13,577	<b>45,259</b>	34,332
Others	<b>566</b>	655	<b>566</b>	1,133
	<b>44,046</b>	38,218	<b>92,567</b>	79,458

Geographical location of external customers is based on the location at which the customers are domiciled. No revenue was attributable to Hong Kong, the place that the Group domiciled, during the six months ended 30 June 2014 (2013: nil).

The principal non-current assets held by the Group are located in the PRC. Insignificant portion of the non-current assets is located in Hong Kong, the place that the Group domiciled at the reporting date.

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue. During the reporting period, revenue derived from these customers are as follows:

	<b>Unaudited</b>			
	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Customer A	<b>16,813</b>	13,577	<b>45,259</b>	34,332
Customer B	<b>6,124</b>	5,223	<b>13,012</b>	15,269
Customer C	<b>7,839</b>	6,332	<b>12,621</b>	8,544
Customer D	<b>7,254</b>	5,427	<b>11,430</b>	8,019

#### 4. 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.

## 5. OTHER INCOME AND GAINS

	Unaudited			
	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	33	17	33	17
Interest income	25	27	25	30
Sample income	–	47	–	47
Sundry income	–	92	1	92
	<u>58</u>	<u>183</u>	<u>59</u>	<u>186</u>

## 6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	Unaudited			
	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of payments for leasehold land held for own use under operating leases	14	14	27	27
Auditor's remuneration	–	–	–	100
Cost of inventories recognised as expense	35,929	30,088	74,376	62,468
Depreciation of property, plant and equipment	505	639	1,110	1,319
Loss on exchange differences, net	128	528	172	416
Gain on disposals of property, plant and equipment	(33)	(17)	(33)	(17)
Operating lease charges in respect of land and buildings	860	817	1,739	1,633
Employee benefit expenses (including directors' emoluments)	<u>13,676</u>	<u>10,350</u>	<u>22,643</u>	<u>18,732</u>

## 7. INCOME TAX CREDIT

	Unaudited			
	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Current income tax (credited)/charged for the period:				
Hong Kong profits tax	–	–	–	–
The People's Republic of China (the "PRC") enterprise income tax ("EIT")	<b>(237)</b>	(250)	<b>(237)</b>	(250)
United States Federal corporate income tax	–	–	<b>8</b>	14
	<u><b>(237)</b></u>	<u>(250)</u>	<u><b>(229)</b></u>	<u>(236)</u>
Deferred tax credited for the period:	<u><b>(374)</b></u>	<u>(702)</u>	<u><b>(864)</b></u>	<u>(643)</u>
	<u><b>(611)</b></u>	<u>(952)</u>	<u><b>(1,093)</b></u>	<u>(879)</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 six months ended 30 June 2014 (2013: nil).

### (ii) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% for the six months ended 30 June 2014 (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% for the six months ended 30 June 2014 (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% for the six months ended 30 June 2014 (2013: 5%).

### (v) United States Federal corporate income tax

United States Federal corporate income tax is calculated at 15% for the six months ended 30 June 2014 (2013: 15%) on the estimated assessable profits for a subsidiary incorporated in the United States of America.

## 8. 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 six months ended 30 June 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 Group prior to the completion of the Reorganisation:

During the six months ended 30 June 2013, a subsidiary of the Group declared and paid interim dividends of HK\$0.13 per ordinary shares (totalling HK\$390,000) and special dividends of HK\$6.67 per ordinary share (totalling HK\$20,000,000) to its then owners prior to the completion of the Reorganisation.

## 9. LOSS PER SHARE

The calculations of basic loss per share are based on the loss attributable to the owners of the Company for the three months ended 30 June 2014 and for the six months ended 30 June 2014 of approximately HK\$3,163,000 and HK\$5,142,000 respectively (loss for the three months ended 30 June 2013 and for the six months ended 30 June 2013: approximately HK\$7,571,000 and HK\$6,253,000 respectively) and on the 600,000,000 ordinary shares issued throughout the three months and the six months ended 30 June 2014 and 450,000,000 ordinary shares issuable (being the number of shares of the Company immediately prior to the listing of the Company's shares on the Stock Exchange as if the shares had been in issue) throughout the three months and six months ended 30 June 2013 respectively.

Diluted loss per share were same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the three months and six months ended 30 June 2014 and the three months and the six months ended 30 June 2013 respectively.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group's capital expenditures of approximately HK\$1,510,000 (2013: approximately HK\$629,000) represented acquisition of property, plant and equipment.

## 11. INVENTORIES

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2013</b> <b>HK\$'000</b>
Raw materials and consumables	23,786	5,383
Work in progress	2,052	2,171
Finished goods	44,215	10,932
	<u>70,053</u>	<u>18,486</u>

## 12. TRADE AND BILL RECEIVABLES

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2013</b> <b>HK\$'000</b>
Trade receivables	30,477	71,048
Bill receivables	6,024	6,587
	<u>36,501</u>	<u>77,635</u>

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. Bill receivables are received from independent customers under the ordinary course of business. The Group normally allows a credit period of 10 to 60 days (2013: 10 to 60 days) to its customers.

Trade and bill receivables are non-interest bearing. The directors of the Company consider that the fair values of trade and bill receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods at their inception.

Ageing analysis of trade receivables based on invoice date is as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2013</b> <b>HK\$'000</b>
0 to 30 days	15,230	11,606
31 to 60 days	9,539	34,529
61 to 90 days	1,603	22,364
91 to 180 days	940	2,412
Over 180 days	3,165	137
	<u>30,477</u>	<u>71,048</u>

### 13. TRADE AND BILL PAYABLES

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2013</b> <b>HK\$'000</b>
Trade payables	52,442	58,634
Bill payables	10,531	14,078
	<u>62,973</u>	<u>72,712</u>

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2013: from 15 to 120 days).

Ageing analysis of trade payables based on invoice date is as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2013</b> <b>HK\$'000</b>
0 to 30 days	31,489	15,910
31 to 60 days	12,109	21,228
61 to 90 days	1,413	9,154
91 to 180 days	5,705	11,215
Over 180 days	1,726	1,127
	<u>52,442</u>	<u>58,634</u>

Bill payables are normally settled on 180 days (2013: 180 days) credit terms. Bill payables were secured by the Group's pledged bank deposits.

All amounts are short-term and hence the carrying amounts of trade and bill payables are considered to be a reasonable approximation of their fair values.

### 14. INTEREST-BEARING BORROWINGS

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2014</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2013</b> <b>HK\$'000</b>
Current portion:		
Bank loans	4,938	9,146
Obligations under finance leases	224	246
	<u>5,162</u>	<u>9,392</u>
Non-current portion:		
Obligations under finance leases	995	172
	<u>6,157</u>	<u>9,564</u>

Total current and non-current interest-bearing borrowings were scheduled to repay as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
Within one year	5,162	7,370
More than one year, but not exceeding two years	236	2,194
More than two years, but not exceeding five years	759	–
	<u>6,157</u>	<u>9,564</u>

*Note:* The amounts due are based on the scheduled repayment dates in the banking facilities and ignore the effect of any repayment on demand clause.

## 15. SHARE CAPITAL

	As at 30 June 2014		As at 31 December 2013	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<b>Authorised:</b>				
Ordinary shares at HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
<b>Issued and fully paid:</b>				
Ordinary shares at HK\$0.01 each	<u>600,000,000</u>	<u>6,000</u>	<u>600,000,000</u>	<u>6,000</u>

During the six months ended 30 June 2014, there is no movement in share capital of the Company. The issued and fully paid share capital of the Company is equivalent to approximately HK\$6,000,000 as at 31 December 2013 and 30 June 2014.

## 16. RELATED PARTY TRANSACTIONS

The Group entered into the following significant related party transactions during the period.

### Key management personnel remuneration

	Unaudited			
	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors' emoluments	<u>755</u>	<u>669</u>	<u>1,511</u>	<u>1,340</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is principally engaged in designing, manufacturing and selling apparel 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.

The Group's revenue increased from approximately HK\$79,458,000 for the six months ended 30 June 2013 to approximately HK\$92,567,000 for the six months ended 30 June 2014, representing an increase of approximately 16.5% in comparison to the corresponding period in 2013. The increase in revenue for the period was mainly attributable to (i) our increased efforts to boost our sales; and (ii) the gentle economic recovery of the North America, which is the principal market of the Group.

On the other hand, the loss attributable to the owners of the Company decreased from approximately HK\$6,253,000 for the six months ended 30 June 2013 to approximately HK\$5,142,000 for the six months ended 30 June 2014, representing a decrease of approximately 17.8% to that of the corresponding period in 2013. The decrease in loss attributable to the owners of the Company was mainly attributable to (i) an increase in the Group's revenue for the period; and (ii) our adherence to prudent cost control measures so that the selling and administrative expenses did not change in the same pace with the increase in revenue.

The Group's inventories increased by approximately 279.0%, from approximately HK\$18,486,000 as at 31 December 2013 to approximately HK\$70,053,000 as at 30 June 2014. The increase in inventories was primarily because (i) starting from second quarter each year, the Group's customers generally start placing orders with the Group for the peak seasons' winter clothing; (ii) for the production of such peak season orders, the Group generally needs to purchase more new raw materials, resulting in significant amount of raw materials inventory as at 30 June 2014 compared to 31 December 2013.

### **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 staff cost for our sales representative. The selling and distribution expenses incurred in the reporting period were approximately HK\$8,677,000 (2013: HK\$8,156,000).

### **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 six months ended 30 June 2014 were approximately HK\$15,742,000 (2013: HK\$19,409,000), decreased by approximately 18.9%. The decrease in administrative expenses was mainly attributable to incurring non-recurring listing expenses of approximately HK\$4,228,000 for the six months ended 30 June 2013 by the Group for the listing of the shares of the Company on GEM.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the reporting period, the Group maintained a healthy liquidity position, with working capital financed by both internal resources and bank borrowings. As at 30 June 2014, pledged bank deposits and cash and cash equivalents amounted to approximately HK\$31,653,000 (31 December 2013: HK\$60,457,000). Total interest-bearing borrowings of the Group as at 30 June 2014 was approximately HK\$6,157,000 (31 December 2013: HK\$9,564,000), of which approximately HK\$5,162,000 (31 December 2013: HK\$7,370,000) would be repayable within one year and all the remaining interest-bearing borrowings of approximately HK\$995,000 (31 December 2013: HK\$2,194,000) would be repayable after one year. The current ratio of the Group was approximately 1.82 (31 December 2013: 1.78).

## **CONTINGENT LIABILITIES**

As at 30 June 2014, the Group did not have any material contingent liability.

## **GEARING RATIO**

The gearing ratio of the Group, calculated as total borrowings over total equity, was approximately 6.7 % as at 30 June 2014 (31 December 2013: 9.8%).

## **TREASURY POLICY**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the reporting period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There was no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2014.

## **FOREIGN EXCHANGE EXPOSURE**

The Group derives the majority of its revenue in US\$ while substantial portion of our costs are denominated in Renminbi ("RMB"). Appreciation of RMB against US\$ will therefore directly decrease the profit margin of the Group if the Group is unable to increase the selling prices of its products accordingly. If the Group increases the selling prices of its products as a result of the appreciation of RMB, it may in turn affect the Group's competitiveness against other competitors. To the extent that the Company needs to convert future financing into RMB for the Group's operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the purchasing power of the RMB amount that the Company would receive from the conversion.

The exchange rates between RMB and US\$ are subject to changes in the PRC Government's policies and international political and economic conditions. Currently, there remains considerable international pressure on the appreciation of RMB against US\$.

As the appreciation of RMB against US\$ has a negative impact on the Group's profit margin, during the reporting period, certain foreign exchange structured forward contracts which were previously entered into by the Group for the purpose of hedging against such currency risk remained outstanding. Despite the fact that the Group's reporting currency is HK\$, our revenue is mainly denominated in US\$ while substantial portion of our costs are denominated in RMB. Therefore, the Directors consider that using the RMB/US\$ foreign exchange structured forward contracts could hedge against the currency risk.

For accounting purpose, outstanding foreign exchange structured forward contracts are stated at fair value in the consolidated statement of financial position of the Group, and fluctuations of the exchange rate of RMB/US\$ will result in fair value gain/loss of derivative financial instruments to be recognised in the consolidated statement of comprehensive income of the Group.

For the six month ended 30 June 2014, the Group recognised approximately HK\$85,000 fair value gain of derivative financial instruments (2013: HK\$3,539,000) arisen from foreign exchange structured forward contracts.

## **CAPITAL COMMITMENTS**

As at 30 June 2014, the Group did not have any significant capital commitment (31 December 2013: nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2014, the Group had a total of 424 employees (31 December 2013: 389 employees). Total staff costs (including Directors' emoluments) were approximately HK\$22,643,000 for the six months ended 30 June 2014, as compared to approximately HK\$18,732,000 for the six months ended 30 June 2013. Remuneration is determined with reference to market norms as well as individual employees' performance, qualification and experience.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the Company's Prospectus, the Group did not have other plans for material investments and capital assets.

## **INTERIM DIVIDEND**

The Board of Directors did not recommend any payment of an interim dividend for the six month ended 30 June 2014.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

### **Business objectives for the six months ended 30 June 2014 as stated in the Prospectus**

### **Actual business progress up to 30 June 2014**

Further developing the own brand products operation

Expand the marketing team with about 1 to 2 staff to visit, make presentations to, and develop relationship with existing and potential customers of the Group's own brand products

The Group recruited 1 experienced and high caliber sales and marketing staff to develop relationship with existing and potential customers of the Group's own brand products during the six months ended 30 June 2014

Continue to participate in more trade fairs and fashion shows to increase the exposure of the brands owned by the Group

The Group participated in several trade fairs and fashion shows in North America and in Asia during the six months ended 30 June 2014 to promote our brand products and increase our exposure in the apparel industry

Recruit about 1 to 2 staff to continue the development of sales at smaller boutique stores in the North America market

The Group recruited 1 experienced and high caliber sales and marketing staff to continue development of sales at smaller boutique stores in the North America market during the six months ended 30 June 2014

Enhancing the Group's manufacturing facilities

Purchase new production equipment and machinery to enhance the production efficiency and capacity (mainly including approximately 40 sets of additional computerised sewing stations at a total investment cost of approximately HK\$1,000,000, with a target to reduce production time by 5% and to increase production capacity by 5%)

The Group purchased several sets of production machines in the reporting period to enhance production efficiency

**Business objectives for  
the six months ended  
30 June 2014 as stated  
in the Prospectus**

**Actual business progress  
up to 30 June 2014**

	Obtain quotation for more new production facilities to replace certain existing facilities	The Group obtained several quotations and detailed functional specifications of the new production facilities and equipment in the reporting period
Further strengthening the Group's design capability	Recruit additional 2 to 3 staff to strengthen the design team	The Group is in the progress of recruiting more experienced and high caliber design personnel.
	Develop and create more fashion apparel samples for presentation to existing and potential customers	The Group developed and created several apparel samples in the reporting period for presentation
	Continue the revamp of the proprietary online product development platform	The Group continued the revamp of the proprietary online product development platform in the reporting period

**USE OF PROCEEDS**

During the six months ended 30 June 2014, the net proceeds from placing were applied as follows:

	<b>Planned use of proceeds as stated in the Prospectus for the six months ended 30 June 2014 HK\$'000</b>	Actual use of proceeds for the six months ended 30 June 2014 HK\$'000
Further developing the Group's own brand products operation	1,500	423
Enhancing the Group's manufacturing facilities	1,000	130
Further strengthening the Group's design capability	<u>1,000</u>	<u>628</u>

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

## OTHER INFORMATION

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

As at 30 June 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 ordinary shares held	Percentage of interests
Mr. Hubert Tien	Interest in controlled corporation ( <i>Note 1</i> )	225,000,000	37.5%
Mr. Farzad Gozashti	Interest in controlled corporation ( <i>Note 2</i> )	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 30 June 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 30 June 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 a Director 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**

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of interests</b>
All Divine Limited	Beneficial owner	225,000,000 shares	37.5%
Fortune Zone Global Limited	Beneficial owner	225,000,000 shares	37.5%
Ms. Sallie Gozashti	Interest of spouse ( <i>Note 1</i> )	225,000,000 shares	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 30 June 2014, the Directors were not aware of any other persons/entities (other than the Directors and 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 six months ended 30 June 2014, no share options were granted, exercised, lapsed or cancelled, and as at 30 June 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 six months ended 30 June 2014.

## **COMPLIANCE ADVISER'S INTERESTS**

As at 30 June 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 code provisions A.1.8 as explained below:

Under the 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 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 six months ended 30 June 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 financial statements of the Group for the six months ended 30 June 2014 have been reviewed by the audit committee members who have provided advice and comments thereon.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There was no significant investment as at 30 June 2014, nor was there material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2014.



## **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 six months ended 30 June 2014.

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

Hong Kong, 12 August 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.*