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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)

DISCLOSEABLE TRANSACTION

The Group intends to enter into the FX Forward Contracts to hedge against its currency risk. As disclosed in the Prospectus, the Group's revenue is mainly denominated in USD while its costs are mainly denominated in RMB. Appreciation of RMB against USD 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 its competitors. In light of this, entering into the FX Forward Contracts provides an effective way for the Group to hedge against such currency risk.

As certain of the percentage ratios is more than 5% but all is less than 25%, the proposed FX Forward Contracts constitutes discloseable transaction for the Company under chapter 19 of the GEM Listing Rules and is therefore subject to reporting and announcement requirements under the GEM Listing Rules.

Given the FX Forward Contracts are different from the existing foreign exchange structured forward contracts, the Directors consider that the FX Forward Contracts are not subject to independent Shareholders' approval. However, for better corporate governance, the Directors agree to follow the procedure of announcement and independent Shareholders' approval. As Mr. Tien, Mr. Gozashti and their respective associates together hold 75% of the issued Shares, if they do not abstain from voting and if they vote for the relevant resolution at the EGM, it would not be meaningful for Independent Shareholders to attend the EGM or to be given the opportunity to consider the merits of the FX Forward Contracts. As such, Mr. Tien, Mr. Gozashti and their respective associates will abstain from voting on the resolution to be proposed at the EGM.

A circular, which contains, among other things, (i) information relating to the proposed transactions in relation to the FX Forward Contracts; and (ii) the notice of the EGM to be convened and held for purpose of considering, if thought fit, approving the FX Forward Contracts, is expected to be despatched to the Shareholders on or before 30 September 2014.

INTRODUCTION

The Group intends to enter into the FX Forward Contracts to hedge against its currency risk. As disclosed in the Prospectus, the Group's revenue is mainly denominated in USD while its costs are mainly denominated in RMB. Appreciation of RMB against USD 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 its competitors. In light of this, entering into the FX Forward Contracts provides an effective way for the Group to hedge against such currency risk.

As mentioned above, any appreciation of RMB against US\$ will have a negative impact on the Group's profit margin. Prior to the Listing, the Group entered into certain foreign exchange structured forward contracts to hedge against such currency risk. Among the 3 foreign exchange structured contracts as disclosed in the Prospectus, one of them expired on 29 July 2014. The Directors are of the view that the retirement of such contract has lowered the current hedging coverage ratio, and the remaining foreign exchange structured forward contracts might be insufficient to serve the purpose of substantially hedging against the currency risk arise from the Group's operation. As disclosed in the Prospectus, in view of the potential downside risk of foreign exchange structured forward contracts, the Group had decided that it would not enter into any additional foreign exchange structured forward contracts unless Shareholders' approval has been obtained in advance, while Mr. Tien, Mr. Gozashti and their respective associates shall abstain from voting on the relevant resolution.

Unlike the existing foreign exchange structured forward contracts which are a hybrid combination of a forward contract with an option, the FX Forward Contracts is a type of plain-vanilla traditional hedging instrument that essentially allows the Group to use USD to purchase RMB at a pre-agreed point of time in the future and at a pre-agreed currency exchange rate, such that when the Group receives USD from its sales, it will know for sure the amount of USD that is required for converting into RMB in order to cover its operating costs denominated in RMB, thereby providing the desired hedging effect and stabilizing its profit margin. Since 1 January 2011 (the commencement of the track record period as stated in the Prospectus) and up to the date of this announcement, the Group has not entered into any FX Forward Contracts or any contracts similar to those. Having assessed the potential increase in operating costs as a result of possible appreciation of RMB against US\$, the Group proposes to enter into the FX Forward Contracts.

FX FORWARD CONTRACTS

The FX Forward Contracts comprise one contract or a set of contracts (subject to limit as specified

below) proposed to be entered into with Cathay Bank. The FX Forward Contracts require no initial cash outlay or purchase cost.

The principal terms of the FX Forward Contracts are as follows:

With respect to the proposed contract (or a set of contracts) with Cathay Bank, there will be only one transaction (or, if a set of contracts, one transaction for each contract) between the Group and the relevant bank. Such transaction will take place on a pre-agreed date (the “**Transaction Date**”). Such transaction will consist of the following two payments at the same time:

- (i) an amount payable by the Group to the bank, which will be equal to a fixed sum of US\$ “X”;
and
- (ii) an amount payable by the bank to the Group, which will be a sum of RMB “Y” calculated as X multiplied by a pre-agreed exchange rate “Z” as specified in the contract, regardless of the then spot exchange rate of RMB/USD.

It is proposed that no matter one or more than one contract is entered into in this connection, the aggregate amount of X will not be larger than US\$5,000,000, while the exchange rate Z will be within the range of 6.05 to 6.35, which is based on the recent RMB/USD spot exchange rates. The actual value of Z in the contract is based on the spot exchange rate of RMB/USD as at the contract date plus a certain percentage to be determined and offered by the bank, which provides a buffer for the Group when RMB depreciates against USD. It is also proposed that such contract (or set of contracts) will be entered into on or before 31 October 2014 and that the Transaction Date for any such contract will be on or before 31 December 2014.

The maximum value of X, or the maximum contract sum (being US\$5,000,000), was determined having considered that (i) the Group’s operating costs denominated in RMB for the year ended 31 December 2013 was approximately HK\$115,047,000, equivalent to approximately US\$14.7 million worth of RMB; and (ii) the maximum amount offered by Cathay Bank to the Group was US\$5,000,000.

Although the actual value of Z is not known to the Shareholders until the signing of the contract, the Group will enter into the contract only when the value of Z is within a range of between 6.05 and 6.35. The Directors therefore consider that Shareholders are able to make an informed decision based on (i) the proposed range of value of Z of between 6.05 and 6.35; (ii) the mechanism of the contract as explained above; and (iii) the hedging needs of the Group as explained in the circular.

The number of contracts to be entered with Cathay Bank depends on the hedging needs of the

Company. In particular, it depends on the timings of inflow of cash denominated in USD from the Group's operations and outflow of cash denominated in RMB for the Group's operating cost. In order to mitigate the currency risk arising from the operation having regard to the timing of operating cash inflows denominated in USD and outflows denominated in RMB and to lock up our profit margin, contracts of different size and timing may be needed. The Group will decide the number of contracts to be entered with Cathay Bank according to the schedule of payments from customers or to suppliers and/or subcontractors throughout the year.

Expected duration of the FX Forward Contracts

As mentioned above, it is proposed that the Transaction Date for any of the FX Forward Contracts will be on or before 31 December 2014. Therefore, the expected duration of a FX Forward Contract will be the length of period between the actual time of the entering into of the contract and 31 December 2014. For instance, assuming that a FX Forward Contract is entered into in October 2014, the expected duration such contract will then be approximately 2 months.

Any renewal or extension of any of the FX Forward Contracts will be subject to Shareholders' approval.

REASONS FOR ENTERING INTO THE FX FORWARD CONTRACTS

The Directors consider that entering into the FX Forward Contracts are capable of stabilizing the Group's profit margin and are therefore of benefit to the Group. Taking into account that (i) the Group has a continuous needs to hedge against the currency risk arising from its operation; and (ii) one of the existing foreign exchange structure forward contracts expired on 29 July 2014, which has lowered the hedging coverage ratio, the Directors are of the view that it is appropriate and reasonable for the Group to enter into the FX Forward Contracts.

The Directors also consider that the FX Forward Contracts are appropriate financial instruments for the Group in hedging its currency risks because such contracts are capable of providing the hedging of the risk of the appreciation of RMB against USD and do not require any upfront purchase cost or cash outlay.

GENERAL

The Group is principally engaged in designing, manufacturing and trading of apparels. According to the Hong Kong Monetary Authority ("HKMA") Register of Authorized Institutions and Local Representative Offices which is available on the website of HKMA, Cathay Bank is an authorized institution and its status is a licensed bank.

As certain of the percentage ratios is more than 5% but all is less than 25%, the proposed FX Forward Contracts constitutes discloseable transaction for the Company under chapter 19 of the GEM Listing Rules and is therefore subject to reporting and announcement requirements under the GEM Listing Rules.

Given the FX Forward Contracts are different from the existing foreign exchange structured forward contracts as explained above, the Directors consider that the FX Forward Contracts are not subject to independent Shareholders' approval. However, for better corporate governance, the Directors agree to follow the procedure of announcement and independent Shareholders' approval. As Mr. Tien, Mr. Gozashti and their respective associates together hold 75% of the issued Shares, if they do not abstain from voting and if they vote for the relevant resolution at the EGM, it would not be meaningful for Independent Shareholders to attend the EGM or to be given the opportunity to consider the merits of the FX Forward Contracts. As such, Mr. Tien, Mr. Gozashti and their respective associates will abstain from voting on the resolution to be proposed at the EGM.

A circular, which contains, among other things, (i) information relating to the proposed transactions in relation to the FX Forward Contracts; and (ii) the notice of the EGM to be convened and held for purpose of considering, if thought fit, approving the FX Forward Contracts, is expected to be despatched to the Shareholders on or before 30 September 2014.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Runway Global Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange
“controlling shareholders”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held

and convened for the Shareholders to consider and, if thought fit, to approve the proposed FX Forward Contracts

“FX Forward Contracts”	a foreign exchange forward contract or a set of such contracts proposed to be entered into by the Group with Cathay Bank, to hedge against the Group’s currency risk in relation to the possible appreciation of RMB against US\$
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	any Shareholders other than controlling Shareholders of the Company and their associates or, where there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Mr. Tien”	Mr. Hubert Tien, an executive Director, chairman of the Board and one of the controlling shareholders of the Company
“Mr. Gozashti”	Mr. Farzad Gozashti, an executive Director and one of the controlling shareholders of the Company
“Prospectus”	the prospectus of the Company dated 27 November 2013
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 24 September 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, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 Listed Company Announcement” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the Company’s website at www.runwayglobal.com.