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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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") 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 of Hong Kong Limited 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.

FINANCIAL HIGHLIGHTS

– Revenue of the Group for the year ended 31 December 2014 was approximately HK$379,715,000 (2013: HK$360,707,000), representing an increase of approximately 5.3% as compared with the previous year.

– The profit attributable to owners of the Company increased from approximately HK$13,529,000 in year 2013 to approximately HK$25,679,000 in year 2014, representing an increase of approximately 89.8%. The significant increase in profit attributable to owners of the Company is mainly due to the absence of listing expenses in the year ended 31 December 2014, which were incurred by the Group for the year ended 31 December 2013, coupled with a steady increase in the Group's revenue.

– Earnings per share of the Company for the year ended 31 December 2014 was approximately HK$4.28 cents (2013: HK$2.93 cents).

– The Directors do not recommend the payment of any final dividend for the year ended 31 December 2014.

RESULTS

The board of Directors (the "**Board**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	5	**379,715**	360,707
Cost of sales		**(285,628)**	(275,766)
Gross profit		**94,087**	84,941
Other income and gains	5	**993**	189
Changes in fair value of derivative financial instruments		**(242)**	1,322
Selling and distribution expenses		**(26,839)**	(22,850)
Administrative expenses		**(36,137)**	(44,464)
Finance costs		**(295)**	(773)
Profit before income tax	6	**31,567**	18,365
Income tax expense	7	**(5,888)**	(4,836)
Profit for the year attributable to owners of the Company		**25,679**	13,529
Other comprehensive income, net of tax, attributable to 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		**(175)**	723
Total comprehensive income for the year attributable to owners of the Company		**25,504**	14,252
Earning per share attributable to owners of the Company	9		
Basic and diluted earnings per share (HK cents)		**4.28**	2.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**16,473**	17,270
Payments for leasehold land held for own use under operating leases		**2,065**	2,129
		18,538	19,399
Current assets			
Inventories	*10*	**20,177**	18,486
Trade and bills receivables	*11*	**63,181**	77,635
Deposits, prepayments and other receivables		**38,346**	19,577
Derivative financial instruments		**129**	1,396
Pledged bank deposits		**9,835**	9,420
Cash and bank balances		**59,828**	51,037
		191,496	177,551
Current liabilities			
Trade and bills payables	*12*	**67,791**	72,712
Accruals, other payables and receipts in advance		**15,083**	17,178
Interest-bearing borrowings	*13*	**2,252**	9,392
Provision for taxation		**1,260**	231
		86,386	99,513
Net current assets		**105,110**	78,038
Total assets less current liabilities		**123,648**	97,437
Non-current liabilities			
Interest-bearing borrowings	*13*	**879**	172
Net assets		**122,769**	97,265
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,000**	6,000
Reserves		**116,769**	91,265
Total equity		**122,769**	97,265

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 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 2013	3,008	–	–	1,235	5,465	47,025	56,733
Profit for the year	–	–	–	–	–	13,529	13,529
Other comprehensive income							
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	723	–	723
Total comprehensive income for the year	–	–	–	–	723	13,529	14,252
Profit distribution prior to the listing	–	–	–	–	–	(20,390)	(20,390)
Arising from the Reorganisation	(2,988)	–	2,988	–	–	–	–
Capitalisation issue	4,480	(4,480)	–	–	–	–	–
Share issued on placing, net of listing expenses	1,500	45,170	–	–	–	–	46,670
Transactions with owners	2,992	40,690	2,988	–	–	(20,390)	26,280
Profit appropriation to reserve	–	–	–	484	–	(484)	–
At 31 December 2013 and 1 January 2014	6,000	40,690	2,988	1,719	6,188	39,680	97,265
Profit for the year	–	–	–	–	–	25,679	25,679
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(175)	–	(175)
Total comprehensive income for the year	–	–	–	–	(175)	25,679	25,504
Profit appropriation to reserve	–	–	–	660	–	(660)	–
At 31 December 2014	6,000	40,690	2,988	2,379	6,013	64,699	122,769

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

Runway Global Holdings Company Limited (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 office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 December 2013 (the "Listing").

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in manufacturing and trading of apparels.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of amendments to HKFRSs – First effective on 1 January 2014

In the current year, the Group has applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective and relevant for the Group's financial statements for the annual period beginning on 1 January 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
HK (IFRIC) - Int 21	Levies

The adoption of these new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

2.2 New/amended HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 16	Clarification of Acceptable Method of Depreciation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[3]
HKFRS 15	Revenue from Contracts with Customers[4]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 16 – Clarification of Acceptable Method of Depreciation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment as the standard clarifies the principle that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement and are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, it is preliminarily concluded that the initial application of these new and amended HKFRSs is not expected to have a material impact on the Group's financial statements.

2.3 New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The Hong Kong Companies Ordinance, Cap. 622 will affect the presentation and disclosures of certain information in the consolidated financial statements for the year ending 31 December 2015.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with HKFRSs, which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The financial statements have been prepared under historical cost convention, except for derivative financial instruments which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

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

Pursuant to a group reorganisation completed on 22 November 2013 (the "Reorganisation") in preparation for the Listing, the Company became the holding company of the companies then comprising the Group. Since the Company and the companies then comprising the Group were under common control of the controlling shareholders of the Company (the "Controlling Shareholders") both before and after the completion of the Reorganisation, the Reorganisation was accounted for using merger method of accounting.

The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2013 include the results and cash flows of all companies then comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statement of financial position of the Group as at 1 January 2013 has been prepared to present the assets and liabilities of the Group using the existing carrying values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

In the opinion of the directors of the Company, the consolidated financial statements for the year ended 31 December 2013 prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

4. 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. 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 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:

	2014	2013
	HK$'000	*HK$'000*
The USA	**253,710**	232,553
Canada	**123,762**	123,372
Others	**2,243**	4,782
	379,715	360,707

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 year (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.

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**123,762**	123,372
Customer B	**86,873**	69,498
Customer C	**43,459**	50,165
Customer D	**56,075**	48,037
Customer E	**38,731**	N/A*

* Accounted for less than 10% of the Group's revenue

As at 31 December 2014, 88% (2013: 74%) of the Group's trade receivables was due from these customers.

5. **REVENUE, OTHER INCOME AND GAINS**

Revenue, which is also the Group's turnover, represents the sales of apparels, net of returns, discounts, rebates and sales related taxes.

An analysis of revenue, other income and gains is as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**379,715**	360,707
Other income and gains		
Gain on disposals of property, plant and equipment	**27**	9
Interest income	**377**	56
Sample income	**399**	47
Sundry income	**190**	77
	993	189

6. **PROFIT BEFORE INCOME TAX**

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

	2014	2013
	HK$'000	*HK$'000*
Amortisation of payments for leasehold land held for own use under operating leases	**54**	54
Auditor's remuneration	**570**	550
Cost of inventories recognised as expense	**285,628**	275,766
Depreciation of property, plant and equipment	**2,076**	2,668
Foreign exchange differences, net	**1,124**	1,314
Gain on disposals of property, plant and equipment	**(27)**	(9)
Operating lease charges in respect of land and buildings	**3,628**	3,366
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	**49,199**	41,234
– Pension scheme contribution – defined contribution plans	**2,429**	2,211
– Other benefits	**3,421**	2,589
	55,049	46,034

7. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current income tax charged for the year:		
Hong Kong profits tax	**3,910**	3,576
PRC enterprise income tax ("EIT")	**1,963**	1,245
USA corporate income tax	**15**	15
	5,888	4,836

(i) Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions.

(ii) Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

(iii) PRC EIT is provided at 25% (2013: 25%) on the estimated assessable profits of the Group's PRC subsidiary for the year.

(iv) Pursuant to the PRC Corporate Income Tax Law, 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. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. 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% (2013: 5%).

(v) As at 31 December 2014, temporary differences relating to the undistributed profits of the PRC subsidiary amounted to HK$16,054,000 (2013: HK$10,309,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of this subsidiary and it is probable that these profits will not be distributed in the foreseeable future.

(vi) The USA corporate income tax comprises federal income tax calculated at 15% and state and local income tax calculated at various rates on the estimated assessable profits of the Group's subsidiary in the USA.

8. DIVIDENDS

During the year ended 31 December 2013, Runway Global Limited ("Runway HK"), a subsidiary of the Company, declared and paid interim dividends of HK$0.13 per ordinary share (totaling HK$390,000) and special dividends of HK$6.67 per ordinary share (totaling HK$20,000,000) to its then owners prior to the completion of the Reorganisation.

No other dividend has been paid or proposed by the Group for the years ended 31 December 2013 and 2014.

9. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the profit for the year attributable to owners of the Company of approximately HK$25,679,000 (2013: HK$13,529,000) and the weighted average of 600,000,000 (2013: 461,918,000) shares in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2013 includes the weighted average of 11,918,000 shares issued upon the placing of the Company's shares on 3 December 2013, and the issue and allotment of a total of 450,000,000 shares in 2013 which were deemed to have been issued since 1 January 2013.

Diluted earnings per share are the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

10. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Raw materials and consumables	**4,201**	5,383
Work in progress	**1,370**	2,171
Finished goods	**14,606**	10,932
	20,177	18,486

11. TRADE AND BILLS RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**59,790**	71,048
Bills receivables	**3,391**	6,587
	63,181	77,635

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. Bills receivables are received from independent customers under the ordinary course of business. The Group normally allows a credit period ranging from 10 to 60 days (2013: 10 to 60 days) to its customers. Trade and bills receivables are non-interest bearing.

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

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**25,567**	11,606
31 to 60 days	**23,008**	34,529
61 to 90 days	**8,012**	22,364
91 to 180 days	**963**	2,412
Over 180 days	**2,240**	137
	59,790	71,048

As at the reporting date, the Group reviewed its trade receivables for evidence of impairment on both individual and collective basis. The Group did not hold any collateral as security over the trade receivables. However, in order to minimise the credit risk of not receiving payments from its customers, the Group has entered into arrangements with a financial institution in the USA and a bank in Hong Kong (which in turn entered into certain arrangement with an insurance company in this connection) which offered trade receivable credit protection arrangement against the Group's trade receivables for certain major customers. As at 31 December 2014, trade receivables of approximately HK$18,476,000 (2013: HK$18,795,000) were under such arrangements of which if the Group ultimately becomes unable to collect the trade receivables, the Group will be entitled to receive compensation for the trade receivables from the financial institution or the bank.

Trade receivables which were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

12. TRADE AND BILLS PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**52,451**	58,634
Bills payables	**15,340**	14,078
	67,791	72,712

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:

	2014	2013
	HK$'000	*HK$'000*
0 to 30 days	**20,741**	15,910
31 to 60 days	**17,816**	21,228
61 to 90 days	**5,371**	9,154
91 to 180 days	**6,256**	11,215
Over 180 days	**2,267**	1,127
	52,451	58,634

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

13. INTEREST-BEARING BORROWINGS

	Notes	2014 HK$'000	2013 HK$'000
Current portion:			
Bank loans, secured and guaranteed	*(a)*	–	515
Bank loan, secured	*(b)*	–	64
Bank loans, guaranteed	*(c)*	**593**	6,545
Bank loan due for repayment after one year which contain repayment on demand clause, guaranteed	*(c)*	**1,429**	2,022
Obligations under finance leases, secured		**230**	246
		2,252	9,392
Non-current portion:			
Obligations under finance leases, secured		**879**	172
		3,131	9,564
Interests borne at rates per annum in the range of:			
– Fixed-rate borrowings		**5.0%**	6.0% to 6.2%
– Variable-rate borrowings		**4.3%**	2.8% to 5.3%

Total interest-bearing borrowings due for repayment based on the scheduled repayment dates without taking into the effect of any repayment on demand clause are as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**823**	7,370
More than one year, but not exceeding two years	**860**	2,194
More than two years, but not exceeding five years	**1,448**	–
	3,131	9,564

Notes:

(a) As at 31 December 2013, the bank loans were secured by pledged bank deposits with carrying values of approximately HK$2,101,000 and personal guarantees by the directors of the Company. The loans have been fully repaid during the year.

(b) As at 31 December 2013, the bank loan was secured by the Group's buildings and land use right. These securities have been released upon the Group's full repayment of the loan during the year.

(c) The bank loans were secured by personal guarantees by the directors of the Company and the SME Financing Guarantee Scheme executed by The Hong Kong Mortgage Corporation Limited. The guarantee under Special Loan Guarantee Scheme executed by The Government of Hong Kong Special Administrative Region as at 31 December 2013 has been released upon the Group's full repayment of the related loans during the year.

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 has delivered a year of steady growth in revenue and solid financial performance. The Group's revenue increased from approximately HK$360,707,000 in year 2013 to HK$379,715,000 in year 2014, representing an increase of approximately 5.3%. The steady growth in revenue in the past few years is the result of exertion of Group's hardworking and professional team members. The profit attributable to owners of the Company increased from approximately HK$13,529,000 in year 2013 to approximately HK$25,679,000 in year 2014, representing an increase of approximately 89.8%. The significant increase in profit attributable to owners of the Company is mainly due to the absence of listing expenses in the year ended 31 December 2014, which were incurred by the Group for the year ended 31 December 2013, coupled with a steady increase in the Group's revenue.

PRIVATE LABEL PRODUCTS

Private label products continued to be the core business of the Group, contributing to 86.0% (2013: 86.8%) of the total revenue of the Group for the year. Revenue from private label products increased by approximately 4.4% to approximately HK$326,680,000 (2013: HK$313,033,000) while gross profit also increased by 9.2% to approximately HK$76,647,000 (2013: HK$70,183,000). The gross profit margin of private label products increased from approximately 22.4% to approximately 23.5% for the year ended 31 December 2014, primarily due to decrease in price of materials and finished products purchased from our suppliers as we offered more favourable trade terms to them, such as shorter credit period.

OWN BRAND PRODUCTS

Own brand products remains an important driver of our business growth and experienced a strong growth in 2014. Own brand products accounted for 14.0% (2013: 13.2%) of the total revenue of the Group for the year. The revenue as well as the gross profit from own brand products increased significantly in 2014. For the year 2014, revenue from own brand products increased by approximately 11.2% to approximately HK$53,035,000 (2013: HK$47,674,000) while gross profit also increased by 18.2% to approximately HK$17,440,000 (2013: HK$14,758,000). The gross profit margin of own brand products increased from approximately 31.0% to approximately 32.9% for the year ended 31 December 2014, primarily due to decrease in price of materials and finished products purchased from our suppliers as we offered more favourable trade terms to them, such as shorter credit period.

COST OF SALES

The cost of sales increased by approximately 3.6%, from approximately HK$275,766,000 to approximately HK$285,628,000 for the year ended 31 December 2014. The rise in cost of sales was mainly driven by the increase in our revenue in 2014. On the other hand, decrease in price of materials and finished products purchased from our suppliers as we offered more favourable trade terms to them, such as shorter credit period, mitigated the increase in cost of sales. This resulted in the rise in cost of sales being in slower pace than increase in revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit increased by approximately HK$9,146,000 or 10.8% and the gross profit margin increased from approximately 23.5% to 24.8% for the year ended 31 December 2014. The Group's turnover is derived from the sales of private label products and own brand products, and the gross profit and gross profit margin of the Group were primarily affected by the mix of those of private label products and own brand products. The increase in the Group's gross profit of approximately 10.8% was primarily attributable to (i) increase in gross profit of both private label products and own brand products in year ended 31 December 2014 and (ii) there was higher proportion of revenue from own brand products which has higher gross profit margin.

OTHER INCOME AND GAINS

Other income and gains increased by approximately HK$804,000 or 425.4%, from approximately HK$189,000 to approximately HK$993,000 for the year ended 31 December 2014, which was primarily attributable to (i) the increase in sample and accessories income by approximately HK$352,000, and (ii) the increase in bank interest income by approximately HK$321,000.

CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group recorded losses from change in fair value of derivative financial instruments of approximately HK$242,000, compared to gains from change in fair value of derivative financial instruments of approximately HK$1,322,000 recorded in 2013. This was because (i) the fair value gain from the 3 structured foreign exchange forward contracts (1 of the 3 contracts expired in July 2014) was very immaterial as the remaining 2 structured foreign forward contracts were close to their expiry date as at 31 December 2014, and (ii) we incurred a loss of approximately HK$242,000 from the foreign exchange forward contract that was entered into in 2014.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) transportation costs for delivery of the products; (ii) staff cost for our sales representative; (iii) import duty and (iv) rental costs of our showroom. The selling and distribution expenses incurred in the reporting period were approximately HK$26,839,000 (2013: HK$22,850,000), representing an increase of approximately HK$3,989,000 or 17.5% on year to year basis. The increase in selling and distribution expenses was primarily attributable to (i) an increase of approximately HK$1,627,000 in staff cost for our sales representative; (ii) an increase of approximately HK$1,344,000 in transportation costs for delivery of the products, both being driven by the rise in revenue in the year; and (iii) we spent approximately HK$1,031,000 more in the year participating in more trade fairs and fashion shows in a bid to promote our brand and seek more potential customers.

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 year ended 31 December 2014 were HK$36,137,000 (2013: HK$44,464,000), decreased by approximately 18.7% or HK$8,327,000. The decrease in administrative expenses was mainly due to (i) the absence of listing expenses in the year ended 31 December 2014, while the Group incurred listing expenses of approximately HK$10,938,000 for the year ended 31 December 2013; and (ii) an increase of approximately 11.5% or HK$2,351,000 staff cost for the year ended 31 December 2014.

FINANCE COSTS

Finance costs represent interest expenses on the Group's bank borrowings and obligations under finance leases. The finance costs decreased by approximately 61.8% or HK$478,000 from approximately HK$773,000 in 2013 to approximately HK$295,000 in 2014, primarily due to decrease in utilisation of banking facilities as a result of improvement in bank balances during 2014.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company increased from approximately HK$13,529,000 in year 2013 to approximately HK$25,679,000 in year 2014, representing an increase of approximately 89.8%. The significant increase in profit attributable to owners of the Company is mainly due to the absence of listing expenses in the year ended 31 December 2014, which were incurred by the Group for the year ended 31 December 2013, coupled with a steady increase in the Group's revenue.

INVENTORY

The following table set out a summary of the Group's inventory balances as at respective financial position dates below:

	As at 31 December 2014	As at 31 December 2013
	HK$'000	*HK$'000*
Raw materials and consumables	**4,201**	5,383
Work in progress	**1,370**	2,171
Finished goods	**14,606**	10,932
	20,177	18,486
Inventory turnover day	**26**	24

The Group's inventories increased by approximately HK$1,691,000 or 9.1%, from approximately HK$18,486,000 as at 31 December 2013 to approximately HK$20,177,000 as at 31 December 2014, and the inventory turnover date slightly increased from 24 days as at 31 December 2013 to 26 days as at 31 December 2014, primarily because the increase in finished goods inventory of own brand products by approximately HK$5,130,000 to cope with anticipated increase in sales of own brands products in the coming year.

TRADE AND BILLS RECEIVABLES

The following table set out a summary of the Group's trade and bills receivables balances as at respective financial position dates below:

	As at 31 December 2014	As at 31 December 2013
	HK$'000	*HK$'000*
Trade receivables	**59,790**	71,048
Bills receivables	**3,391**	6,587
	63,181	77,635
Trade receivables turnover day	**57**	72

The Group's trade and bills receivables decreased by approximately HK$14,454,000 or 18.6% from approximately HK$77,635,000 as at 31 December 2013 to approximately HK$63,181,000 as at 31 December 2014, as well as trade receivables turnover day decreased from 72 days as at 31 December 2013 to 57 days as at 31 December 2014, primarily due to early settlement of certain customers.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables increased by approximately HK$18,769,000 or 95.9% from approximately HK$19,577,000 as at 31 December 2013 to approximately HK$38,346,000 as at 31 December 2014, primarily due to we placed more prepayments to cope with anticipated increase in sales in the coming year.

TRADE AND BILLS PAYABLES

The following table set out a summary of the Group's trade and bills payables balances as at respective financial position dates below:

	As at 31 December 2014	As at 31 December 2013
	HK$'000	*HK$'000*
Trade payables	**52,451**	58,634
Bills payables	**15,340**	14,078
	67,791	72,712
Trade payables turnover day	**67**	78

The Group's trade and bills payables decreased by approximately HK$4,921,000 or 6.8% from approximately HK$72,712,000 as at 31 December 2013 to approximately HK$67,791,000 as at 31 December 2014, as well as trade payables turnover day decreased from 78 days as at 31 December 2013 to 67 days as at 31 December 2014, primarily due to our offering of more favourable trade terms, such as shorter payment day, to our suppliers in order to obtain lower price for materials and finished goods from our suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

During 2014, the Group maintained a healthy liquidity position, with working capital financed by both internal resources and bank borrowings. As at 31 December 2014, pledged bank deposits and cash and bank balances amounted to approximately HK$69,663,000 (2013: HK$60,457,000). Total interest-bearing borrowings of the Group as at 31 December 2014 was approximately HK$3,131,000 (2013: HK$9,564,000), of which approximately HK$823,000 (2013: HK$7,370,000) would be scheduled to repay within one year and all the remaining interest-bearing borrowings of approximately HK$2,308,000 (2013: HK$2,194,000) would be scheduled to repay after one year. The current ratio of the Group was approximately 2.22 (2013: 1.78).

GEARING RATIO

The gearing ratio of the Group, calculated as total interest-bearing borrowings over total equity, was approximately 2.6% as at 31 December 2014 (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 period under review. 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 year ended 31 December 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, other than the 3 foreign exchange structured forward contracts that were entered into in previous financial years, the Group entered into 1 foreign exchange forward contract to hedge against such currency risk. The foreign exchange forward contract and 1 of the foreign exchange structured forward contracts expired during the year. 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 as well as RMB/US$ foreign exchange forward contract 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.

In the financial year ended 31 December 2014, the Group recognised approximately HK$242,000 fair value loss of derivative financial instruments (2013: gain of HK$1,322,000) arisen from the foreign exchange forward contract that was entered into in 2014 and the 3 foreign exchange structured forward contracts that were brought forward from 2013.

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had a total of 399 employees (2013: 389 employees). Total staff costs (including Directors' emoluments) were approximately HK$55,049,000, as compared to approximately HK$46,034,000 for the year ended 31 December 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 under "Comparison of Business Objectives with Actual Business Progress" in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2014.

FINAL DIVIDEND

The Board of Directors did not recommend any payment of a final dividend for the year ended 31 December 2014.

USE OF NET PROCEEDS FROM PLACING

On 3 December 2013, shares of the Company were listed on the GEM by way of placing. The net proceeds from the placing were approximately HK$35,732,000. The future plans and prospects as stated in the prospectus of the Company dated 27 November 2013 (the "Prospectus") were formulated based on the best estimation of the future market conditions at the time of preparing the Prospectus. The Directors are mindful of the financial performance of the Group in engaging actual costs and capital expenditure. The proceeds were conservatively applied regard to ongoing market conditions.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business objectives for the period from 20 November 2013 (the "Latest Practicable Date") to 31 December 2014 as stated in the Prospectus	Actual business progress up to 31 December 2014
Further developing the own brand products operation	Expand the marketing team to visit, make presentations to, and develop relationship with existing and potential customers of the Group's own brand products. Set up new showroom or expand existing showrooms in the USA to display and promote more own brand products to customers.	In 2014, we recruited one experienced and high caliber sales and marketing staff, as well as contracted with two external experienced sales representatives to promote the our own brand products to existing and potential customers.
	Participate in more trade fairs and fashion shows to increase the exposure of the brands owned by the Group.	During the year, we participated in more than 10 trade fairs and fashion shows around the world, including North America, Europe and Asia, to promote our brands awareness. We spent approximately HK$1,122,000 in 2014 participating in trade fairs and fashion shows to increase the exposure of our brands in the apparel industry, which are vital to our future growth.
	Increase inventory of own brand products in preparation for increase in demand from customers.	To cope with anticipated increase in sales of own brands products in the coming year, we increased our own brand inventories by approximately HK$5,130,000 as at 31 December 2014, compared to own brand inventories as at 31 December 2013.

	Business objectives for the period from 20 November 2013 (the "Latest Practicable Date") to 31 December 2014 as stated in the Prospectus	**Actual business progress up to 31 December 2014**
Enhancing the Group's manufacturing facilities	Purchase new production equipment and machinery to replace existing manufacturing facilities and to enhance the production efficiency and capacity	We purchased additional 15 sets of production equipment and machineries in 2014 to enhance the production capacity and efficiency.
	Renovate and refurbish the existing factory building and reset the factory layout for more new production facilities	We are now in the progress of formulating renovation and refurbishment plans for the existing factory and factory layout.
Further strengthening the Group's design capability	Expand the design team	We are in the progress of recruiting more experienced and high caliber design personnel. Although there were no expansion for design team in 2014, we recruited an additional staff in design team in 2015 to strengthen the design team.
	Develop and create more fashion apparel samples for presentation to existing and potential customers.	We developed many fashion apparel samples in 2014 for presentation to customers. In addition, we developed 2 website in the year, which are http://blancnoir.us/ and http://bebyblancnoir.com/, to promote the design of our own brand products.
	Revamp the proprietary online product development platform	We are in the progress of revamp of the proprietary online product development platform.
	Plan for developing a database with comprehensive and updated data and information of fabric, accessories, fashion samples, fashion design photos and other historical information related to fashion apparel	We have been developing a database system since 2014. The database includes the information of fabric, accessories, fashion samples, fashion design photos, which facilitates design team to enhance its capability and efficiency.

USE OF PROCEEDS

During the period from the Latest Practicable Date as defined in the Prospectus to 31 December 2014, the net proceeds from the placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Latest Practicable Date to 31 December 2014	**Actual use of proceeds from the Latest Practicable Date to 31 December 2014**
	HK$'000	***HK$'000***
Further developing the Group's own brand products operation	**5,000**	6,637
Enhancing the Group's manufacturing facilities	**5,500**	528
Further strengthening the Group's design capability	**3,500**	1,992

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.

FUTURE PROSPECTS

The year 2015 will be a challenging year. For global economic environment, we expect there will be gentle improvement in the North America economy, especially US economy, in 2015. On the other hand, the economic growth of China is relatively strong and so the labour cost in China has been increasing over the years and this increasing trend is expected to continue in the near future.

We will continue to focus on the North America market, which is benefited from the gentle economic recovery, as we have established concert business network there. Furthermore, we will explore more business opportunities in developing and promoting the own brand products operation, by participating in more trade fairs and fashion shows. The revenue from own brand products in 2014 accounted for approximately 14.0% of total income, increased from approximately 13.2% in 2013. We expect the revenue from own brand products will increase continuously in the near future.

For production management, we will continue to enhance the operating efficiency in various aspects, such as shorter delivery time, in response to the rapidly changing apparel market and rising production cost in China.

OTHER INFORMATION

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 year ended 31 December 2014.

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 year, the Company 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 report since the directors take the view that the Company shall support directors arising from corporate activities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited consolidated annual results of the Company for the year ended 31 December 2014 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Hong Kong, 16 March 2015

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 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.