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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 on Main Board: 1520)**

**(Stock Code on GEM Board: 8309)**

### **TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Financial adviser**



**大有融資有限公司**

**MESSIS CAPITAL LIMITED**

On 25 March 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) the 600,000,000 Shares in issue and (ii) 60,000,000 new Shares which may fall to be allotted and issued upon the exercise of all options which may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board.

The approval-in-principle has been granted by the Stock Exchange on 21 May 2015 for the Shares to be listed on the Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (Stock code: 8309) will be 29 May 2015. Dealings in the Shares on the Main Board (Stock code: 1520) will commence at 9:00 a.m. on 1 June 2015. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Reference is made to the announcement issued by the Company dated 25 March 2015 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and Main Board Listing Rules.

## **TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD**

On 25 March 2015, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in, (i) the 600,000,000 Shares in issue and (ii) 60,000,000 new Shares which may fall to be allotted and issued upon the exercise of all options which may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board. The approval-in-principle has been granted by the Stock Exchange on 21 May 2015 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

### **REASONS FOR THE TRANSFER OF LISTING**

The Company has been listed on GEM since 3 December 2013. 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 Board believes that the Transfer of Listing will enhance the profile of the Group and increase the trading liquidity of the Shares. The Board also considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group.

As at the date of this announcement, the Board has no immediate plans to change the nature of the business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares by the Company.

### **DEALINGS IN THE SHARES ON THE MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 3 December 2013, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8309) will be 29 May 2015. Dealings in the Shares on the Main Board (Stock code: 1520) will commence at 9:00 a.m. on 1 June 2015.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot of 6,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

## **SHARE OPTION SCHEME**

The Share Option Scheme was adopted by the Company on 22 November 2013. The Share Option Scheme will remain effective following the Transfer of Listing subject to certain immaterial amendments to the Share Option Scheme and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options to eligible participants (being Directors and employees of the Group) entitling them to subscribe for Shares. The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 60,000,000 Shares. As at the date of this announcement, no share option has been granted. The listing of the Shares to be issued pursuant to the Share Option Scheme will also be transferred to the Main Board.

## **PUBLIC FLOAT**

The Directors confirm that 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

## **COMPETING BUSINESS**

As at the date of this announcement, none of the Directors or controlling Shareholders or their respective associates has any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Main Board Listing Rules.

## **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 12 May 2015 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by laws or regulations of Cayman Islands or the Articles of the Company to be held; or
- (c) the date on which such authority is revoked or varied by an ordinary resolution of Shareholders in general meeting.

## **PUBLICATION OF RESULTS**

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within 2 months and 3 months from the end of the relevant periods or financial year ends respectively.

## **WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE MAIN BOARD LISTING RULES**

The Company has sought a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules in relation to the Transfer of Listing.

Pursuant to Rule 8.12 of the Main Board Listing Rules, a new applicant for primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Save for Mr. Tien, one of the two executive Directors, who is residing in Hong Kong, the other executive Director, Mr. Gozashti is not ordinarily resident in Hong Kong and it is not likely for the Company to have two executive Directors residing in Hong Kong in the foreseeable future. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Main Board Listing Rules on the following grounds:

- (a) the Group's products are principally sold to overseas markets in the USA and Canada and the Group has two principal places of business in the USA which require the supervision of Mr. Gozashti;
- (b) Mr. Chan Ka Yu, the company secretary of the Company, is ordinarily resident in Hong Kong; and
- (c) the management and operations of the Group have been under the supervision of the existing two executive Directors since its listing on GEM in 2013 and have proven to be effective. The appointment of an additional executive Director to reside in Hong Kong or the relocation of Mr. Gozashti to Hong Kong would not only increase the administrative expenses of the Group, but would also reduce the effectiveness and responsiveness of the decision-making process of the Board, especially when business decisions are required to be made within a short period of time.

The Company has received from the Stock Exchange a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules subject to the following conditions:

- (a) the Company has appointed and will continue to appoint two authorised representatives, who will act as the Company's principal channel of communication with the Stock Exchange. The Company has appointed Mr. Tien, an executive Director, and Mr. Chan Ka Yu, the company secretary, who are ordinarily residents in Hong Kong as the two authorised representatives of the Company. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email. Each of the authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange;
- (b) both of the authorised representatives of the Company will have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board on any matters;
- (c) to enhance the communication between the Stock Exchange, the authorised representatives and the Directors, the Company will implement a policy whereby (i) each executive Director will have to provide his mobile telephone number, office telephone number, fax number and email address to the authorised representatives; (ii) each executive Director will provide his telephone number or means of communication to the authorised representatives when he is travelling; and (iii) each Director will provide his mobile telephone number, office telephone number, fax number and email address to the Stock Exchange; and

- (d) the Company shall promptly inform the Stock Exchange of any changes to the authorised representatives.

In addition, Mr. Gozashti, the only Director who is not ordinarily resident in Hong Kong has confirmed that he possesses a valid travel document to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required.

## **BIOGRAPHICAL INFORMATION OF DIRECTORS**

The Company discloses below the biographical information of each Director:

### **Executive Directors**

**Mr. Hubert TIEN (田曉勃)**, aged 46, was appointed as an executive Director on 19 June 2013. Mr. Tien is one of the founders of the Group and the chairman of the Board. He is responsible for overseeing the in-house operations, manufacturing and sourcing activities and devising business expansion plans of the Group. Mr. Tien has about 20 years of experience in garment trading, manufacturing and marketing in the United States, Australia and Canada markets. Mr. Tien was a director of Bright Cheer Company Limited (“**Bright Cheer**”), a textile company, from 1992 to 2004 prior to its dissolution. He ceased to participate in the operation of Bright Cheer in December 2000 and founded the Group with Mr. Gozashti in 2001. Bright Cheer ceased to carry on business afterwards and was dissolved by striking off in 2004 under section 291 of the Companies Ordinance. Mr. Tien is a brother of Ms. Winnie Tien, a member of the senior management of the Group.

As at the date of this announcement, Mr. Tien is deemed to be interested in the 225,000,000 Shares under the SFO. Save as disclosed above, Mr. Tien did not have any interest in the Shares within the meaning of Part XV of the SFO as at the date of this announcement.

Mr. Tien is a member of the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee.

Save as disclosed above, Mr. Tien (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Tien, Mr. Tien was appointed for a term of three years commencing on 22 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. He is entitled to annual salary of HK\$1,573,000, which is determined with reference to the performance of his duties, and a discretionary management bonus.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. Farzad GOZASHTI**, aged 50, was appointed as an executive Director on 19 June 2013. Mr. Gozashti is one of the founders of the Group and the chief marketing officer of the Group and the chief executive officer of Runway Fashions, Inc., a wholly owned subsidiary of the Company. Mr. Gozashti is responsible for overseeing the design, sales and marketing activities and devising business expansion plans of the Group. Mr. Gozashti graduated with a bachelor degree of science in business administration (marketing) from San Francisco State University in California of USA in May 1989. Mr. Gozashti has about 20 years of experience in design and product development. Before he founded the Group with Mr. Tien in 2001, he had also created and launched the apparel line “BLANC NOIR” through FG Industries, Inc., which was a private company engaged in the apparel business in the United States then wholly owned by Mr. Gozashti and was subsequently dissolved in 2006 after transferring the “BLANC NOIR” trademark to Runway HK at a nominal consideration.

As at the date of this announcement, Mr. Gozashti is deemed to be interested in the 225,000,000 Shares under the SFO. Save as disclosed above, Mr. Gozashti did not have any interest in the Shares within the meaning of Part XV of the SFO as at the date of this announcement.

Save as disclosed above, Mr. Gozashti has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years. He has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract entered into between the Company and Mr. Gozashti, Mr. Gozashti was appointed for a term of three years commencing on 22 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. He is entitled to annual salary of HK\$1,573,000, which is determined with reference to the performance of his duties, and a discretionary management bonus.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

### **Independent non-executive Directors**

**Mr. TANG Tsz Kai, Kevin (鄧子楷)**, aged 45, was appointed as an independent non-executive Director on 22 November 2013. Mr. Tang Tsz Kai, Kevin obtained a degree of Bachelor of Science from University of Toronto in November 1998, a Bachelor of Laws from City University of Hong Kong in November 2004 and a Postgraduate Certificate in Laws from City University of Hong Kong in September 2005. He has been a barrister-at-law in private practising in Hong Kong since 2006, specialising in criminal practice. He was also a part-time research assistant in City University of Hong Kong in 2002.

Mr. Tang Tsz Kai, Kevin is the chairman of the Corporate Governance Committee and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

As at the date of this announcement, Mr. Tang Tsz Kai, Kevin did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Tang Tsz Kai, Kevin (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Tang Tsz Kai, Kevin, he was appointed for a term of three years commencing on 22 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Tang Tsz Kai, Kevin is entitled to a director's fee of HK\$120,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. TANG Shu Pui Simon (鄧樹培)**, aged 50, was appointed as an independent non-executive Director on 22 November 2013. Mr. Tang Shu Pui Simon is a practising solicitor and an accredited mediator with the Hong Kong International Arbitration Centre. Mr. Tang Shu Pui Simon is currently a partner of P. C. Woo & Co., Solicitors. He is a member of the Appeal Tribunal of the Hong Kong Federation of Insurers, legal advisor to the General Agents and Managers Association of Hong Kong, founding member and vice-president of the Hong Kong Institute of Patent Attorneys, member of the Basic Law Promotion Steering Committee and member of the Standing Committee on Standards and Development of the Law Society of Hong Kong. Mr. Tang Shu Pui Simon has been a visiting lecturer in Intellectual Property Law in The Hong Kong Polytechnic University and a part time lecturer in Hong Kong University School of Professional and Continuing Education.

At P. C. Woo & Co., Solicitors, Mr. Tang Shu Pui Simon has served clients that operate in, among others, the apparel industry.

Mr. Tang Shu Pui Simon was appointed as a non-executive director of Bestway International Holdings Limited (stock code: 718), the shares of which are listed on the Main Board of the Stock Exchange, with effect from 10 January 2013.

Mr. Tang Shu Pui Simon is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Corporate Governance Committee.

As at the date of this announcement, Mr. Tang Shu Pui Simon did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Tang Shu Pui Simon (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Tang Shu Pui Simon, Mr. Tang Shu Pui Simon was appointed for a term of three years commencing on 22 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Tang Shu Pui Simon is entitled to a director's fee of HK\$120,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

**Mr. LAI Man Sing (黎文星)**, aged 47, was appointed as an independent non-executive Director on 22 November 2013. He obtained a Bachelor of Science degree in Management Sciences from The London School of Economics and Political Science, University of London, the United Kingdom in August 1990 and earned a Master degree (long distance) in Business Administration from University of Western Sydney, Australia in August 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, also a fellow member of The Australian Society of Certified Practising Accountants. Mr. Lai worked in the accounting field for over 20 years and he took senior financial position for listed companies. From September 2007 to March 2008, he was the financial controller of Jetup Electronic (Shenzhen) Co., Ltd., a subsidiary of J.I.C. Technology Company Limited (now known as China Renewable Energy Investment Limited) (stock code: 987, the shares of which are listed on the Main Board of the Stock Exchange). He was responsible for producing accounting reports, managing accounting operations and preparing budgets and cashflow projections. Since March 2008, Mr. Lai has served as the financial controller of Mainland Headwear Holdings Limited (stock code: 1100), the shares of which are listed on the Main Board of the Stock Exchange. He was promoted to the position of chief financial officer in February 2010 and has been in charge of the finance department up to the present. In addition, Mr. Lai was an independent director of USmart Mobile Device Inc. (previously known as ACL Semiconductors Inc.), a company listed on the Over the Counter (OTC) markets in the United States with stock code UMDI, from December 2010 to August 2013, during which he also acted as the chairman of its audit committee.

Mr. Lai is the chairman of the Audit Committee and the Nomination Committee respectively. He is also a member of the Remuneration Committee and the Corporate Governance Committee.

As at the date of this announcement, Mr. Lai did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Lai (i) has not held any other position with the Group and has not held any directorship in any other listed companies in Hong Kong or overseas in the last three years; and (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the letter of appointment entered into between the Company and Mr. Lai, Mr. Lai was appointed for a term of three years commencing on 22 November 2013, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the requirements of the Articles. Mr. Lai is entitled to a director's fee of HK\$120,000 per year, which is determined by the Board with reference to market rates, his performance, qualifications and experience.

Save as disclosed above, there is no other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

## **BUSINESS MODEL OVERVIEW**

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. There were no significant changes in the Group's business operation since its GEM listing.

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.



## FINANCIAL INFORMATION OF THE GROUP

### Consolidated Statement of Comprehensive Income

The table below set forth the Group's consolidated statements of comprehensive income during the Track Record Period:

	Year ended 31 December			Three months ended 31 March	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
<b>Revenue</b>	331,088	360,707	379,715	48,521	43,530
Cost of sales	<u>(249,866)</u>	<u>(275,766)</u>	<u>(285,628)</u>	<u>(38,447)</u>	<u>(32,036)</u>
<b>Gross profit</b>	81,222	84,941	94,087	10,074	11,494
Other income and gains	303	189	993	1	116
Changes in fair value of derivative financial instruments	2,332	1,322	(242)	406	—
Selling and distribution expenses	(23,786)	(22,850)	(26,839)	(4,999)	(5,588)
Administrative expenses	(30,482)	(44,464)	(36,137)	(7,853)	(8,228)
Finance costs	<u>(1,288)</u>	<u>(773)</u>	<u>(295)</u>	<u>(90)</u>	<u>(24)</u>
<b>Profit/(loss) before income tax</b>	28,301	18,365	31,567	(2,461)	(2,230)
Income tax (expense)/credit	<u>(5,149)</u>	<u>(4,836)</u>	<u>(5,888)</u>	<u>482</u>	<u>298</u>
<b>Profit/(loss) for the year/period attributable to owners of the Company</b>	<u>23,152</u>	<u>13,529</u>	<u>25,679</u>	<u>(1,979)</u>	<u>(1,932)</u>
<b>Other comprehensive income, net of tax, attributable to 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	<u>141</u>	<u>723</u>	<u>(175)</u>	<u>(303)</u>	<u>199</u>

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Total comprehensive income for the year/period attributable to owners of the Company</b>	<u>23,293</u>	<u>14,252</u>	<u>25,504</u>	<u>(2,282)</u>	<u>(1,733)</u>
<b>Earnings/(losses) per share attributable to owners of the Company</b>					
Basic and diluted earnings/(losses) per share (HK cents)	<u>5.14</u>	<u>2.93</u>	<u>4.28</u>	<u>(0.33)</u>	<u>(0.32)</u>

### Results of operation

The table below sets forth selected information and analysis from the consolidated statements of comprehensive income of the Group:

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
<b>Revenue</b>			
— Private label products	293,249	313,033	326,680
— Own brand products	<u>37,839</u>	<u>47,674</u>	<u>53,035</u>
	<u>331,088</u>	<u>360,707</u>	<u>379,715</u>
<b>Gross profit</b>			
— Private label products	69,094	70,183	76,647
— Own brand products	<u>12,128</u>	<u>14,758</u>	<u>17,440</u>
	<u>81,222</u>	<u>84,941</u>	<u>94,087</u>
<b>Gross profit margin</b>			
— Private label products	23.6%	22.4%	23.5%
— Own brand products	32.1%	31.0%	32.9%
— Overall	24.5%	23.5%	24.8%
<b>Profit before income tax</b>	<u>28,301</u>	<u>18,365</u>	<u>31,567</u>
<b>Profit for the year attributable to owners of the Company</b>	<u>23,152</u>	<u>13,529</u>	<u>25,679</u>

The Group has delivered steady growth in revenue from 2012 to 2014. The Group's revenue increased from approximately HK\$331,088,000 in year 2012 to HK\$360,707,000 in year 2013 and HK\$379,715,000 in year 2014, representing an increase of approximately 8.9% in 2013 and 5.3% in 2014. The overall 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 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.

Private label products continued to be the core business of the Group, contributing to 86.0% of the total revenue of the Group for the year 2014 (2013: 86.8%, 2012: 88.6%). Revenue from private label products increased by approximately 4.4% to approximately HK\$326,680,000 in 2014 (2013: HK\$313,033,000, 2012: HK\$293,249,000) while gross profit also increased by 9.2% to approximately HK\$76,647,000 in 2014 (2013: HK\$70,183,000, 2012: HK\$69,094,000). Profit margin slightly increased from 22.4% in 2013 (2012: 23.6%) to 23.5% in 2014.

Own brand products experienced strong growth from 2012 to 2014. Own brand products accounted for 14.0% of the total revenue of the Group for the year 2014 (2013: 13.2%, 2012: 11.4%). The revenue as well as the gross profit from own brand products increased substantially in 2013 and 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, 2012: HK\$37,839,000) while gross profit also increased by 18.2% to approximately HK\$17,440,000 (2013: HK\$14,758,000, 2012: HK\$12,128,000).

The gross profit margin remains relatively stable for the three years ended 31 December 2014. The gross profit margin in 2014 was 24.8%, which was slightly higher than 23.5% in 2013 and 24.5% in 2012. This was mainly due to better pricing offered by some of the Group's suppliers for prepayment. The slight decrease in gross profit margin from 2012 (24.5%) to 2013 (23.5%) was mainly due to the increase in direct labour cost as well as the appreciation of RMB against USD (while the majority of the Group's costs were denominated in RMB).

Set out below is a breakdown of the Group's turnover for the three years ended 31 December 2014 by location of the customers:

	Year ended 31 December					
	2012		2013		2014	
	HK\$ '000	%	HK\$ '000	%	HK\$ '000	%
The USA	217,669	65.7	232,553	64.5	253,710	66.8
Canada	109,495	33.1	123,372	34.2	123,762	32.6
Others ( <i>note</i> )	3,924	1.2	4,782	1.3	2,243	0.6
<b>Total</b>	<b>331,088</b>	<b>100</b>	<b>360,707</b>	<b>100</b>	<b>379,715</b>	<b>100</b>

*Note:* For the three years ended 31 December 2014, other locations include the PRC, Australia, countries in Europe and the Middle East.

The following tables set out the Group's gross profit and gross profit margin by location of customers for the three years ended 31 December 2014:

	Year ended 31 December					
	2012		2013		2014	
	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %
The USA	54,618	25.1	54,775	23.6	64,939	25.6
Canada	25,414	23.2	28,374	23.0	28,333	22.9
Others (note)	1,190	30.3	1,792	37.5	815	36.4
<b>Total</b>	<b>81,222</b>	<b>24.5</b>	<b>84,941</b>	<b>23.5</b>	<b>94,087</b>	<b>24.8</b>

*Note:* For the three years ended 31 December 2014, other locations include the PRC, Australia, countries in Europe and the Middle East.

The USA continued to be the main source of the Group's revenue of external customers, contributing to 66.8% (HK\$253,710,000) of the total revenue of the Group for the year 2014 (2013: 64.5%, HK\$232,553,000, 2012: 65.7%, HK\$217,669,000). Canada remained to be the second largest source of the Group's revenue, contributing to 32.6% of the total revenue of the Group for the year 2014 (2013: 34.2%, 2012: 33.1%).

The Group's revenue increased moderately for the three years ended 31 December 2014 mainly due to the Group's sales and marketing efforts and the gentle recovery of the general economic conditions in the North America area. The Group's profit exhibited similar trend as revenue for the three years ended 31 December 2014 except for the year 2013 due to listing expenses incurred for that year. The Group's gross profit margin remained relatively stable for the three years ended 31 December 2014. The slight increase in the overall gross profit margin in 2014 was mainly due to better pricing from suppliers in return for early payments and shorter credit period.

## Liquidity Position

The following table sets out details of the Group's current assets and current liabilities as at 31 December 2014:

	<b>As at 31 December 2014</b> <i>HK\$'000</i>
<b>Current assets</b>	
Inventories	20,177
Trade and bills receivables	63,181
Deposits, prepayments and other receivables	38,346
Derivative financial instruments	129
Pledged bank deposits	9,835
Cash and bank balances	59,828
	<hr/>
	191,496
	<hr/>
<b>Current liabilities</b>	
Trade and bills payables	67,791
Accruals, other payables and receipts in advance	15,083
Interest-bearing borrowings	2,252
Provision for taxation	1,260
	<hr/>
	86,386
	<hr/>
<b>Net current assets</b>	<b>105,110</b>

The Group's current assets primarily comprise inventories, trade and bills receivables, deposits, prepayment and other receivables, pledged bank deposits, and cash and bank balances, while the Group's current liabilities primarily comprise trade and bills payables, accruals, other payables and receipts in advance, interest-bearing borrowings, and current tax liabilities. The Group has a net current asset position of HK\$105,110,000 as at 31 December 2014.

## Subsequent settlement and utilisation

Up to 30 April 2015:

- approximately 95.7% (or approximately HK\$60,472,000) of the Group's trade and bills receivables as at 31 December 2014 (i.e. approximately HK\$63,181,000) had been settled;
- approximately 90.9% (or approximately HK\$61,635,000) of the Group's trade and bills payables as at 31 December 2014 (i.e. approximately HK\$67,791,000) had been settled;
- approximately 45.8% (or approximately HK\$9,246,000) of the Group's inventory as at 31 December 2014 (i.e. approximately HK\$20,177,000) had been utilised or sold.

## **RECENT DEVELOPMENT**

The first quarter of the calendar year is the traditional slack season for the Group as the market's demand for apparel products is generally higher in winter and therefore the Group's customers normally place orders with the Group for winter collection in the second to the third quarter of the year while the Group normally delivers the corresponding finished products to customers in the second half of the calendar year.

For the three months ended 31 March 2015, the revenue decreased by approximately 10.3%, from approximately HK\$48,521,000 for the three months ended 31 March 2014 to approximately HK\$43,530,000 for the three months ended 31 March 2015. The decrease in revenue was mainly due to the timing of the Chinese New Year in 2015 (being in late February, which is about 3 weeks later than that in 2014), thereby leading to delays in shipment of products to some customers.

The gross profit increased by approximately HK\$1,420,000 or 14.1% for the three months ended 31 March 2015 and the gross profit margin increased from approximately 20.8% for the three months ended 31 March 2014 to approximately 26.4% for the three months ended 31 March 2015. 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 14.1% was primarily attributable to (i) increase in gross profit of both private label products and own brand products in three months ended 31 March 2015 and (ii) there was higher proportion of revenue from own brand products, accounted for approximately 16.9% of the total revenue of the Group for the three months ended 31 March 2015 (2014: 7.3%), which has higher gross profit margin.

The impact of decrease in revenue on the loss attributable to the owners of the Company was substantially offset by the increase in gross profit and gross profit margin as explained above. Therefore, the loss attributable to the owners of the Company decreased by 2.4%, from approximately HK\$1,979,000 for the three months ended 31 March 2014 to approximately HK\$1,932,000 for the three months ended 31 March 2015.

The Directors confirm that subsequent to the Track Record Period and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group.

## **FOREIGN EXCHANGE HEDGING POLICY**

The Group derives the majority of its revenue in USD while the majority of its costs is denominated in RMB. Appreciation of RMB against USD may 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 funds into RMB for the Group's operations, appreciation of the RMB against the relevant currencies would have an adverse effect on the purchasing power of the RMB amount that the Company would receive from the conversion. In light of this, the Group considers that entering into foreign exchange forward contracts provides an effective way for the Group to hedge against such currency risk.

As such, the Group had previously entered into certain foreign exchange structured forward contracts and certain foreign exchange forward contracts to hedge against the aforesaid currency risk. As disclosed on page 147 of the Prospectus, the Group will seek for Shareholders' approval for entering into any additional foreign exchange structured forward contracts, with the principal terms of the proposed contracts provided for Shareholders' consideration, such as the currencies involved, ranges of the relevant reference exchange rates and contract amounts or notional amounts for the foreign exchange transactions. Mr. Tien, Mr. Gozashti and their respective associates shall abstain from voting on the relevant resolution(s). The Board and the Group's finance department assess the Group's hedging needs on an ongoing basis and the Company will propose relevant resolution(s) for entering into additional foreign exchange structured forward contracts for Shareholders' consideration as and when considered appropriate by the Group.

In respect of any foreign exchange forward contracts to be entered into by the Group, the Group's chief financial officer, Mr. Chan Ka Yu, will be responsible for the on-going monitoring of the Group's exposure under the hedging arrangement. The Group's in-house accountants will calculate the Group's total exposure under all outstanding foreign exchange forward contracts based on the assumption of a 5% depreciation of RMB against USD. The Group's chief financial officer will review such calculation and assess whether the risk exposure is acceptable. The maximum exposure allowed (assuming an immediate 5% depreciation of RMB against USD), after offsetting the potential estimated decrease in operating costs of the Group as a result of the assumed depreciation of RMB against USD, is currently set at HK\$3,500,000, representing approximately 13.6% of the Group's profit for the year ended 31 December 2014. If such maximum exposure level is reached, the Group will consider requesting for early termination of the outstanding foreign exchange forward contracts.

For further details, please refer to pages 147 and 148 of the Prospectus.

## **FOREIGN EXCHANGE STRUCTURED FORWARD CONTRACTS**

As disclosed on pages 139 and 140 of the Prospectus, the Group had, as of 20 November 2013, three outstanding foreign exchange structured forward contracts. All such foreign exchange structured forward contract positions were closed on 7 January 2015, 25 February 2015 and 29 July 2014 respectively in accordance with the contract terms. After issuing the Prospectus and up to the date of this announcement, the Group had not entered into any foreign exchange forward contracts except for the one detailed in the Company's circular dated 29 September 2014 and the Company's announcement dated 28 October 2014, which was entered into on 28 October 2014 and was closed on 30 December 2014. Therefore, as of the date of this announcement, the Group does not have any outstanding foreign exchange structured forward contracts nor foreign exchange forward contracts.

Based on the calculation of hedging coverage ratio shown in the table below, the Directors consider that the Group's hedging policy was effective during the last three financial years.

## Analysis on hedging coverage ratio

	Year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Operating costs denominated in RMB	133,490	115,047	133,107
Estimated increase in operating costs as a result of appreciation of RMB against USD (A)	3,746	1,582	1,053
Net realised gain from settlement of foreign exchange forward contracts (B)	2,323	1,412	1,025
Hedging coverage (B/A) (in %)	<u>62.0%</u>	<u>89.3%</u>	<u>97.3%</u>

### Notes:

The estimated increase in operating costs as a result of appreciation of RMB was determined with reference to the following estimated exchange rates of RMB and HK\$ based on the historical exchange rate data:

	Year ended 31 December		
	2012	2013	2014
Average exchange rate of RMB to HK\$ used for the estimation	0.8071	0.7960	0.7897
Appreciation of RMB against HK\$	<u>N/A</u>	<u>1.38%</u>	<u>0.79%</u>

## BUSINESS STRATEGIES AND FUTURE PROSPECTS

The year 2015 will be a challenging year. For global economic environment, the Group expects 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.

The Group will continue to focus on the North America market, which is benefited from the gentle economic recovery, as a concert business network has been established there. Furthermore, the Group 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 account for approximately 14.0% of total income, increased from approximately 13.2% in 2013. The revenue from own brand products is expected to increase continuously in the near future.

For production management, the Group 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.



## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at <http://www.runwayglobal.com> and of the Stock Exchange at <http://www.hkexnews.hk>:

- (a) the Directors' report and annual report of the Company for the year ended 31 December 2013;
- (b) the Directors' report and annual report of the Company for the year ended 31 December 2014;
- (c) the third quarterly report of the Company for the nine months ended 30 September 2014;
- (d) the first quarterly report of the Company for the three months ended 31 March 2015;
- (e) the interim report of the Company for the six months ended 30 June 2014;
- (f) the memorandum and articles of associations of the Company;
- (g) the circular of the Company dated 25 March 2014 in relation to the proposals involving general mandates to issue new Shares and repurchase its own Shares, re-election of Directors and notice of annual general meeting;
- (h) the circular of the Company dated 23 March 2015 in relation to the proposals involving general mandates to issue new Shares and repurchase its own Shares, re-election of Directors and notice of annual general meeting;
- (i) the circular of the Company dated 29 September 2014 in relation to the proposed discloseable transaction regarding foreign exchange forward contracts and notice of extraordinary general meeting; and
- (j) a copy of each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

## DEFINITIONS

In this announcement, the following terms shall have the meanings set opposite them unless the context requests otherwise:

“Articles” or “Articles of Association”	the articles of association of the Company adopted on 22 November 2013 and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Runway Global Holdings Company Limited, a company incorporated in the Cayman Islands and the Shares of which are listed on GEM

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules and in the case of the Company, means collectively, Mr. Tien, Mr. Gozashti, All Divine Limited and Fortune Zone Global Limited
“Director(s)”	the director(s) of the Company
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Gozashti”	Mr. Farzad Gozashti, an executive Director
“Mr. Tien”	Mr. Hubert Tien, an executive Director and the chairman of the Board
“Prospectus”	the prospectus of the Company dated 27 November 2013
“PRC”	the People’s Republic of China, for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 22 November 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the three years ended 31 December 2014 and three months ended 31 March 2015
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board

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

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

Hong Kong, 21 May 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://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](http://www.runwayglobal.com).*