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: 1520)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

– Revenue of the Group for the year ended 31 December 2015 was approximately HK$371,725,000 (2014: HK$379,715,000), representing a decrease of approximately 2.1% as compared with the previous year.

– The profit attributable to owners of the Company decreased from approximately HK$25,679,000 in year 2014 to approximately HK$15,732,000 in year 2015, representing a decrease of approximately 38.7%. The decrease in profit attributable to owners of the Company is mainly attributable to (i) the significant increase in selling and distribution expenses due to the expansion of own brand; and (ii) increase in administrative expenses due to the increase in salary expenses and professional fees arisen from the Transfer of Listing.

– Earnings per share of the Company for the year ended 31 December 2015 was approximately HK$2.62 cents (2014: HK$4.28 cents).

– The Directors do not recommend the payment of any final dividend for the year ended 31 December 2015.

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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	5	**371,725**	379,715
Cost of sales		**(278,906)**	(285,628)
Gross profit		**92,819**	94,087
Other income and gains	5	**597**	993
Changes in fair value of derivative financial instruments		–	(242)
Selling and distribution expenses		**(33,967)**	(26,839)
Administrative expenses		**(39,905)**	(36,137)
Finance costs		**(158)**	(295)
Profit before income tax	6	**19,386**	31,567
Income tax expense	7	**(3,654)**	(5,888)
Profit for the year attributable to owners of the Company		**15,732**	25,679
Other comprehensive income, net of tax, attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(2,744)**	(175)
Total comprehensive income for the year attributable to owners of the Company		**12,988**	25,504
Earnings per share attributable to owners of the Company	9		
Basic and diluted earnings per share (HK cents)		**2.62**	4.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**14,577**	16,473
Payments for leasehold land held for own use under operating lease		**1,899**	2,065
		16,476	18,538
Current assets			
Inventories	*10*	**25,148**	20,177
Trade and bills receivables	*11*	**71,201**	63,181
Deposits, prepayments and other receivables		**27,279**	38,346
Derivative financial instruments		**–**	129
Tax recoverable		**747**	–
Pledged bank deposits		**8,656**	9,835
Cash and bank balances		**53,837**	59,828
		186,868	191,496
Current liabilities			
Trade and bills payables	*12*	**50,578**	67,791
Accruals, other payables and receipts in advance		**15,606**	15,083
Interest-bearing borrowings	*13*	**242**	2,252
Provision for taxation		**524**	1,260
		66,950	86,386
Net current assets		**119,918**	105,110
Total assets less current liabilities		**136,394**	123,648
Non-current liabilities			
Interest-bearing borrowings	*13*	**637**	879
Net assets		**135,757**	122,769
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,000**	6,000
Reserves		**129,757**	116,769
Total equity		**135,757**	122,769

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Statutory reserve *HK$'000*	Translation reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2014	6,000	40,690	2,988	1,719	6,188	39,680	97,265
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 and 1 January 2015	6,000	40,690	2,988	2,379	6,013	64,699	122,769
Profit for the year	–	–	–	–	–	15,732	15,732
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(2,744)	–	(2,744)
Total comprehensive income for the year	–	–	–	–	(2,744)	15,732	12,988
Profit appropriation to reserve	–	–	–	414	–	(414)	–
At 31 December 2015	6,000	40,690	2,988	2,793	3,269	80,017	135,757

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 address of the registered office and principal place of business of the Company is disclosed in the section headed "Corporate Information" in the annual report. The Company's shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of placing on 3 December 2013 and the listing of its shares has been transferred from GEM to the Main Board of the Stock Exchange on 1 June 2015 (the "Transfer of 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 2015

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 2015.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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

2.2 New/amended HKFRSs in issue but not yet effective

The following new/amended 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 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exeption[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 No mandatory effective date yet determined
4 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. The presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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.

HKFRS 16 – Leases

HKFRS 16 is intended to replace HKAS 17 Leases and HK(IFRIC) 4 "Determining whether an arrangement contains a lease". HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). The standard brings most leases on-balance sheet for lessees under a single model, eliminating the previous classifications of operating and finance leases. The only exemption to this treatment is for lease contracts with duration of less than one year. The on-balance sheet treatment will result in the grossing up of the balance sheet due to a right-of-use asset being recognised with an offsetting liability. Lessor accounting under the standard remains largely unchanged with previous classifications of operating and finance leases being maintained.

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

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

The Group has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance, Cap. 622 (the "New CO") during the current year.

The directors consider that there is no impact on the Group's financial position or performance, however the New CO impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosure required by the Listing Rules.

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 currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

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:

	2015	2014
	HK$'000	*HK$'000*
The USA	**258,796**	253,710
Canada	**102,887**	123,762
Others	**10,042**	2,243
	371,725	379,715

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 is domiciled, during the years presented.

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 is domiciled at the reporting date.

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

	2015	2014
	HK$'000	*HK$'000*
Customer A	**101,565**	123,762
Customer B	**85,510**	86,873
Customer C	**53,589**	56,075
Customer D	**N/A***	43,459
Customer E	**51,399**	38,731

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

As at 31 December 2015, 77% (2014: 88%) of the Group's trade receivables was due from four (2014: five) major customers.

5. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**371,725**	379,715
Other income and gains		
Gain on disposals of property, plant and equipment	**30**	27
Interest income	**360**	377
Sample income	**–**	399
Sundry income	**207**	190
	597	993

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Amortisation of payments for leasehold land held for own use under operating lease	**54**	54
Auditor's remuneration	**600**	570
Cost of inventories recognised as expense	**278,906**	285,628
Depreciation of property, plant and equipment	**1,974**	2,076
Foreign exchange losses, net	**1,406**	1,124
Operating lease charges in respect of land and buildings	**3,695**	3,628
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	**51,393**	49,199
– Pension scheme contribution – defined contribution plans	**2,616**	2,429
– Other benefits	**2,887**	3,421
	56,896	55,049

7. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current income tax charged for the year:		
Hong Kong profits tax	**2,189**	3,910
PRC enterprise income tax ("EIT")	**1,385**	1,963
USA corporate income tax	**80**	15
	3,654	5,888

(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% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

(iii) PRC EIT is provided at 25% (2014: 25%) on the estimated assessable profits of the Group's PRC subsidiary for the year.

(iv) Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2015, temporary differences relating to the undistributed profits of the PRC subsidiary amounted to HK$21,838,000 (2014: HK$16,054,000). 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.

(v) 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

No interim dividend was declared during the year (2014: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: Nil).

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$15,732,000 (2014: HK$25,679,000) and the weighted average of 600,000,000 (2014: 600,000,000) shares in issue during the year.

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

	2015	2014
	HK$'000	*HK$'000*
Raw materials and consumables	**4,266**	4,201
Work in progress	**1,730**	1,370
Finished goods	**19,152**	14,606
	25,148	20,177

11. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**64,379**	59,790
Bills receivable	**6,822**	3,391
	71,201	63,181

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 receivable are received from independent customers under the ordinary course of business. The Group normally allows a credit period ranging from 10 to 90 days (2014: 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:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**17,129**	25,567
31 to 60 days	**18,609**	23,008
61 to 90 days	**22,706**	8,012
91 to 180 days	**3,342**	963
Over 180 days	**2,593**	2,240
	64,379	59,790

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 2015, trade receivables of approximately HK$23,790,000 (2014: HK$18,476,000) 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

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**35,659**	52,451
Bills payable	**14,919**	15,340
	50,578	67,791

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2014: from 15 to 120 days).

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

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**17,268**	20,741
31 to 60 days	**7,058**	17,816
61 to 90 days	**6,585**	5,371
91 to 180 days	**2,590**	6,256
Over 180 days	**2,158**	2,267
	35,659	52,451

Bills payable are normally settled on 180-day (2014: 180) credit terms.

13. INTEREST-BEARING BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Current portion:		
Bank loan, guaranteed *(note)*	–	593
Bank loan due for repayment after one year which contain repayment on demand clause, guaranteed *(note)*	–	1,429
Obligations under finance leases, secured	**242**	230
	242	2,252
Non-current portion:		
Obligations under finance leases, secured	**637**	879
	879	3,131
Interests borne at rates per annum in the range of:		
– Fixed-rate borrowings	**5%**	5.0%
– Variable-rate borrowings	**N/A**	4.3%

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:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**242**	823
More than one year, but not exceeding two years	**254**	860
More than two years, but not exceeding five years	**383**	1,448
	879	3,131

Note: The bank loan was secured by personal guarantees by the directors of the Company as at 31 December 2014. The guarantee has been released upon the Group's full repayment of the 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 revenue slightly decreased from approximately HK$379,715,000 in year 2014 to HK$371,725,000 in year 2015, representing decline of approximately 2.1%. The profit attributable to the owners of the Company decreased from approximately HK$25,679,000 in year 2014 to approximately HK$15,732,000 in year 2015, representing a decrease of approximately 38.7%. The decrease in profit attributable to the owners of the Company is mainly attributable to (i) the significant increase in selling and distribution expenses as own brand operation expanded in the year; and (ii) increase in administrative expenses due to increase salary expenses and legal and professional fees arisen from the Transfer of Listing.

PRIVATE LABEL PRODUCTS

Private label products continued to be the core business of the Group, contributing to 78.1% (2014: 86.0%) of the total revenue of the Group for the year. Revenue from private label products decreased by approximately 11.1% to approximately HK$290,311,000 (2014: HK$326,680,000) while gross profit also decreased by 15.1% to approximately HK$65,041,000 (2014: HK$76,647,000).

OWN BRAND PRODUCTS

Despite amidst market challenges, there was robust performances from own brand operation and own brand products remains an important driver of our business growth. Own brand products accounted for 21.9% (2014: 14.0%) of the total revenue of the Group for the year. The revenue as well as the gross profit from own brand products increased substantially in 2015. For the year 2015, revenue from own brand products increased by approximately 53.5% to approximately HK$81,414,000 (2014: HK$53,035,000) while gross profit also increased by 59.3% to approximately HK$27,778,000 (2014: HK$17,440,000).

COST OF SALES

The cost of sales decreased by approximately 2.4%, from approximately HK$285,628,000 to approximately HK$278,906,000 for the year ended 31 December 2015. The decrease in cost of sales was mainly attributable to decrease in purchase of materials for the year, as the revenue slightly decreased in year 2015. 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.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit decreased by approximately HK$1,268,000 or 1.3% and the gross profit margin increased from approximately 24.8% to 25.0% for the year ended 31 December 2015. The decrease in gross profit was primarily attributable to the decrease in revenue in the year. 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 slight increase in the gross profit margin from 24.8% in year 2014 to 25.0% in year 2015 was primarily attributable to higher proportion of revenue generated from own brand products, which accounted for 21.9% (2014: 14.0%) of total revenue, which has higher gross profit margin.

OTHER INCOME AND GAINS

Other income and gains decreased by approximately HK$396,000 or 39.9%, from approximately HK$993,000 to approximately HK$597,000 for the year ended 31 December 2015, which was primarily attributable to the decrease in sample and accessories income by approximately HK399,000.

CHANGES IN FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group did not have any revenue generated from changes in fair value of derivative financial instruments for the year ended 31 December 2015, compared to loss from changes in fair value of derivative financial instruments of approximately HK$242,000 recorded in 2014. This was because the 2 structured foreign exchange forward contracts that were brought forward from 2014 expired in 2015, and the Group did not enter into any new foreign exchange forward contract in 2015.

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$33,967,000 (2014: HK$26,839,000), representing an increase of approximately HK$7,128,000 or 26.6% on year to year basis. The increase in selling and distribution expenses was primarily attributable to (i) an increase of approximately HK$4,244,000 import duty; (ii) an increase of approximately HK$2,085,000 in staff cost for our sales representative; and (iii) an increase of approximately HK$674,000 transportation costs for delivery of the products, all were driven mainly by the rise in revenue of own brand products in the year.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) staff costs; (ii) rental expenses; (iii) bank charges; and (iv) legal and professional expenses. The administrative expenses for the year ended 31 December 2015 were HK$39,905,000 (2014: HK$36,137,000), increased by approximately 10.4% or HK$3,768,000. The increase in administrative expenses was mainly due to (i) an increase of approximately HK$2,650,000 in staff cost; and (ii) incurring non-recurring professional expenses of approximately HK$1,252,000 for the Transfer of Listing.

FINANCE COSTS

Finance costs represent interest expenses on the Group's bank borrowings and obligations under finance leases. The finance costs decreased by approximately 46.4% or HK$137,000 from approximately HK$295,000 in 2014 to approximately HK$158,000 in 2015, primarily due to decrease in utilisation of banking facilities because the Group has sufficient liquidity throughout 2015.

PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The profit attributable to the owners of the Company decreased from approximately HK$25,679,000 in year 2014 to approximately HK$15,732,000 in year 2015, representing a decrease of approximately 38.7%. The decrease in profit attributable to the owners of the Company is mainly due to (i) significant increase in selling and distribution expenses as own brand operation expanded in the year; (ii) increase in administrative expenses due to increase in salary expenses and legal and professional fees arises from the Transfer of Listing.

INVENTORIES

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

	As at 31 December 2015	As at 31 December 2014
	HK$'000	*HK$'000*
Raw materials and consumables	**4,266**	4,201
Work in progress	**1,730**	1,370
Finished goods	**19,152**	14,606
	25,148	20,177
Inventory turnover days	**33**	26

The Group's inventories increased by approximately HK$4,971,000 or 24.6%, from approximately HK$20,177,000 as at 31 December 2014 to approximately HK$25,148,000 as at 31 December 2015, as well as the inventory turnover days increased from 26 days as at 31 December 2014 to 33 days as at 31 December 2015, primarily due to the increase in finished goods inventory of own brand products by approximately HK$3,842,000 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 2015	As at 31 December 2014
	HK$'000	*HK$'000*
Trade receivables	**64,379**	59,790
Bills receivable	**6,822**	3,391
	71,201	63,181
Trade receivables turnover days	**63**	57

The Group's trade and bills receivables increased by approximately HK$8,020,000 or 12.7% from approximately HK$63,181,000 as at 31 December 2014 to approximately HK$71,201,000 as at 31 December 2015, as well as trade receivables turnover days increased from 57 days as at 31 December 2014 to 63 days as at 31 December 2015.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables decreased by approximately HK$11,067,000 or 28.9% from approximately HK$38,346,000 as at 31 December 2014 to approximately HK$27,279,000 as at 31 December 2015, primarily due to we placed less trade deposits to our suppliers to purchase raw materials and finished goods.

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 2015	As at 31 December 2014
	HK$'000	*HK$'000*
Trade payables	**35,659**	52,451
Bills payable	**14,919**	15,340
	50,578	67,791
Trade payables turnover days	**47**	67

The Group's trade and bills payables decreased by approximately HK$17,213,000 or 25.4% from approximately HK$67,791,000 as at 31 December 2014 to approximately HK$50,578,000 as at 31 December 2015, as well as trade payables turnover days decreased from 67 days as at 31 December 2014 to 47 days as at 31 December 2015, 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 2015, the Group maintained a healthy liquidity position, with working capital financed by both internal resources and bank borrowings. As at 31 December 2015, pledged bank deposits and cash and cash equivalents amounted to approximately HK$62,493,000 (2014: HK$69,663,000). Total interest-bearing borrowings of the Group as at 31 December 2015 was approximately HK$879,000 (2014: HK$3,131,000), of which approximately HK$242,000 (2014: HK$823,000) would be repayable within one year and all the remaining interest-bearing borrowings of approximately HK$637,000 (2014: HK$2,308,000) would be repayable after one year. The current ratio of the Group was approximately 2.79 (2014: 2.22).

GEARING RATIO

The gearing ratio of the Group, calculated as total interest-bearing borrowings over total equity, was approximately 0.6% as at 31 December 2015 (2014: 2.6 %).

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 2015.

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.

In the financial year ended 31 December 2015, the Group did not have any revenue generated from changes in fair value of derivative financial instruments for the year ended 31 December 2015, compared to loss from change in fair value of derivative financial instruments of approximately HK$242,000 recorded in 2014. The 2 structured foreign exchange forward contracts that were brought forward from 2014 expired in 2015, and the Group did not enter into any new foreign exchange forward contract in 2015.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group did not have any significant capital commitment (2014: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had a total of 402 employees (2014: 399 employees). Total staff costs (including Directors' emoluments) were approximately HK$56,896,000, as compared to approximately HK$55,049,000 for the year ended 31 December 2014. 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 2015.

FINAL DIVIDEND

The Board of Directors did not recommend any payment of a final dividend for the year ended 31 December 2015.

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 BESINESS PROGRESS

	Business objectives for the period from 20 November 2013 (the "Latest Practicable Date") to 31 December 2015 as stated in the Prospectus	Actual business progress up to 31 December 2015
Further developing the own brand products operation	Continue to expand the marketing team with about 2 to 3 staff to visit, make presentations to, and develop relationship with existing and potential customers of the Group's own brand products	In 2015, 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
	Continue to participate in more trade fairs and fashion shows to increase the exposure of the brands owned by the Group Hold fashion show(s) in Canada and the United States to further increase exposure of the Group's products to customers	During the year, we participated 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$1,357,000 in 2015 participating in trade fairs and fashion shows to increase the exposure of our brands in the apparel industry

Business objectives for the period from 20 November 2013 (the "Latest Practicable Date") to 31 December 2015 as stated in the Prospectus	Actual business progress up to 31 December 2015
Launch the online products demonstration and ordering platform to facilitate customers to get access to the updated Group's products and placing orders	We started our online sales platform in June 2015 and retail customers can get access to the updated Group's products and placing orders
Increase own brand products inventories in preparation for increase in demand from new and existing 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$3,842,000 as at 31 December 2015, compared to own brand inventories as at 31 December 2014

	Business objectives for the period from 20 November 2013 (the "Latest Practicable Date") to 31 December 2015 as stated in the Prospectus	Actual business progress up to 31 December 2015
Enhancing the Group's manufacturing facilities	Purchase new production equipment and machinery to enhance the production efficiency and capacity (mainly including the installation of 2 sets of new intelligent automated apparel products hanging systems, as well as approximately 20 sets of additional new machineries including computerized over-lock machines, automated computerised cutting machines, automated tacking machines, automated button-attaching machines, paper pattern printing and cutting equipment, and computerised sketching and plotting equipment, at a total investment cost of approximately HK$4.5 million and with a target to reduce production time by a further 10% and to increase production capacity by a further 20%)	We purchased additional 10 sets of production equipment and machineries in 2015 to enhance the production capacity and efficiency

	Business objectives for the period from 20 November 2013 (the "Latest Practicable Date") to 31 December 2015 as stated in the Prospectus	**Actual business progress up to 31 December 2015**
	Evaluate the effectiveness and efficiency of the new facilities	We are now evaluating the effectiveness and efficiency of the facilities on a on-going basis
Further strengthening the Group's design capability	Continue to expand and strengthen the design team by recruit additional 2 to 3 staff	We recruited an additional staff in design team in 2015 to strengthen the design team. We are in the progress of recruiting more experienced and high caliber design personnel
	Continue to develop and create more fashion apparel samples for presentation to existing and potential customers	We developed many fashion apparel samples in 2015 for presentation to customers
	Launch the database platform 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 2015, the net proceeds from Placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus from the Latest Practicable Date to 31 December 2015 *HK$'000*	**Actual use of proceeds from the Latest Practicable Date to 31 December 2015** *HK$'000*
Further developing the Group's own brand products operation	**8,000**	12,198
Enhancing the Group's manufacturing facilities	**16,500**	620
Further strengthening the Group's design capability	**7,500**	4,538

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

Stepping into 2016, the global economy will remain challenging. Gloomy global economic outlook will continue to have negative impact on consumer confidence as well as consumer market. On the other hand, despite the expected China's GDP growth rate will slow down but it is relatively strong compared to other economy of developed countries. The labour costs in China has been increasing over the years at relatively rapid rates. We expect this increasing trend will continue.

We will follow our direction over the past few years and continue to investing in own brand operation by participating in more trade fairs and fashion shows. Although facing market challenges and uncertainties, we are confident we will continue to deliver satisfactory results and remain competiveness in the market. More importantly, we will progressively expand our business to capture the growing demand for our own brand products from online shoppers.

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 2015.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

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 2015 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 consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement 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, 22 March 2016

As at the date of this announcement, the executive Directors are Mr. Hubert Tien, Mr. Farzad Gozashti, Mr. Chen Gang and Mr. Qu Chengbiao, and the independent non-executive Directors are Mr. Lai Man Sing, Mr. Tang Tsz Kai, Kevin, Mr. Chan Kin Sang and Ms. Luo Dan.