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 2016

FINANCIAL HIGHLIGHTS

– Revenue of the Group for the year ended 31 December 2016 was approximately HK$368,857,000 (2015: HK$371,725,000), representing a decrease of approximately 0.8% as compared with the previous year.

– The loss attributable to the owners of the Company for the year was approximately HK$18,769,000, whereas the Group recorded a consolidated net profit attributable to owners of the Company for the year ended 31 December 2015 of approximately HK$15,732,000. The loss attributable to the owners of the Company for the year ended 31 December 2016 was primarily attributable to (i) impairment on goodwill arising on the acquisition of Delta Wealth Finance Limited; (ii) significant increase in the selling and distribution expenses and (iii) significant increase in administration expenses.

– Loss per share of the Company for the year ended 31 December 2016 was approximately HK$2.89 cents (2015: earnings per share of HK$2.62 cents).

– The Directors do not recommend the payment of any final dividend for the year ended 31 December 2016.

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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**368,857**	371,725
Cost of sales		**(274,778)**	(278,906)
Gross profit		**94,079**	92,819
Other income and gains	5	**615**	597
Impairment loss on goodwill	10	**(11,453)**	–
Selling and distribution expenses		**(46,060)**	(33,967)
Administrative expenses		**(54,471)**	(39,905)
Finance costs		**(478)**	(158)
(Loss)/profit before income tax	6	**(17,768)**	19,386
Income tax expense	7	**(1,001)**	(3,654)
(Loss)/profit for the year attributable to owners of the Company		**(18,769)**	15,732
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		**(2,850)**	(2,744)
Total comprehensive income for the year attributable to owners of the Company		**(21,619)**	12,988
(Loss)/earnings per share attributable to owners of the Company	9		
Basic and diluted (loss)/earnings per share (HK cents)		**(2.89)**	2.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**2016** **HK$'000**	2015 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**12,591**	14,577
Payments for leasehold land held for own use under operating lease		**1,738**	1,899
Goodwill	*10*	**87,656**	–
Intangible assets		**800**	–
Deferred tax assets		**742**	–
		103,527	16,476
Current assets			
Inventories	*11*	**16,926**	25,148
Trade and bills receivables	*12*	**63,485**	71,201
Loans and interest receivables	*13*	**80,465**	–
Deposits, prepayments and other receivables		**22,803**	27,279
Financial assets at fair value through profit or loss	*14*	**42,000**	–
Tax recoverable		**1,729**	747
Pledged bank deposits		**7,761**	8,656
Cash and bank balances		**59,188**	53,837
		294,357	186,868
Current liabilities			
Trade and bills payables	*15*	**49,644**	50,578
Accruals, other payables and receipts in advance		**26,656**	15,606
Interest-bearing borrowings	*16*	**54,410**	242
Provision for taxation		**1,566**	524
		132,276	66,950
Net current assets		**162,081**	119,918
Total assets less current liabilities		**265,608**	136,394
Non-current liabilities			
Interest-bearing borrowings	*16*	**383**	637
Deferred tax liabilities		**1,073**	–
		1,456	637
Net assets		**264,152**	135,757
EQUITY			
Equity attributable to owners of the Company			
Share capital		**8,300**	6,000
Reserves		**255,852**	129,757
Total equity		**264,152**	135,757

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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 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 and 1 January 2016	6,000	40,690	2,988	2,793	3,269	80,017	135,757
Loss for the year	–	–	–	–	–	(18,769)	(18,769)
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(2,850)	–	(2,850)
Total comprehensive income for the year	–	–	–	–	(2,850)	(18,769)	(21,619)
Profit appropriation to reserve	–	–	–	189	–	(189)	–
Issuance of shares	1,200	59,714	–	–	–	–	60,914
Arising from acquisition of a subsidiary	1,100	88,000	–	–	–	–	89,100
At 31 December 2016	8,300	188,404	2,988	2,982	419	61,059	264,152

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 14th Floor, PeakCastle, 476 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong respectively. 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 Company is an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of apparels and provision of money lending services.

The financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 20 March 2017.

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

2.1 Adoption of new/revised HKFRSs – effective 1 January 2016

In the current year, the Group has applied the new/revised 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 2016.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of these new or revised 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/revised HKFRSs in issue but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

HKFRS 9 – 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.

The directors of the Company are in the process of assessing the quantitative effect of HKFRS 9, and accordingly it is not yet in a position to provide a reasonable estimate of the quantitative effect of HKFRS 9 until the assessment has been completed.

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

The directors of the Company are in the process of assessing the quantitative effect of HKFRS 15, and accordingly it is not yet in a position to provide a reasonable estimate of the quantitative effect of HKFRS 15 until the assessment has been completed.

Amendments to HKFRS 15 – Revenue from Contracts with customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitment of the Group in respect of rented premises as at 31 December 2016 amounted to HK$13,465,000. The directors anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group's result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group's financial statements.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss 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. During the year, the Company has identified manufacturing and trading of apparels and provision for money lending services (new segment during the year) as the reportable operating segments.

Each of these operating segments is managed separately as each of them requires different business strategies.

The segment information provided to the executive directors for the reportable segments during the year is as follows:

	Manufacturing and trading of apparels	Money lending services	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2016			
Revenue from external customers	**368,116**	**741**	**368,857**
Segment loss	**(2,259)**	**(11,259)**	**(13,518)**
Reconciliation			
Bank interest income			**205**
Unallocated corporate expenses			**(3,977)**
Finance costs			**(478)**
Loss before tax			**(17,768)**
At 31 December 2016			
Segment assets	**176,458**	**218,011**	**394,469**
Other corporate assets			**3,415**
Total assets			**397,884**
Segment liabilities	**77,754**	**55,521**	**133,275**
Other corporate liabilities			**457**
Total liabilities			**133,732**
Other segment information			
Year ended 31 December 2016			
Depreciation and amortisation	**(1,892)**	**–**	**(1,892)**
Fair value gain on financial assets at fair value through profit or loss	**–**	**102**	**102**
Provision for impairment on inventories	**(6,334)**	**–**	**(6,334)**
Provision for impairment on trade receivables	**(777)**	**–**	**(777)**
Impairment on goodwill	**–**	**(11,453)**	**(11,453)**
Capital expenditure	**(587)**	**–**	**(587)**

	Manufacturing and trading of apparels	Money lending services	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2015			
Revenue from external customers	371,725	–	371,725
Segment profit	21,536	–	21,536
Reconciliation			
Bank interest income			360
Unallocated corporate expenses			(2,352)
Finance costs			(158)
Profit before tax			19,386
At 31 December 2015			
Segment assets	202,749	–	202,749
Other corporate assets			595
Total assets			203,344
Segment liabilities	67,554	–	67,554
Other corporate liabilities			33
Total liabilities			67,587
Other segment information			
Year ended 31 December 2015			
Depreciation and amortisation	(2,028)	–	(2,028)
Capital expenditure	(922)	–	(922)

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:

	2016	2015
	HK$'000	*HK$'000*
The USA	**295,251**	258,796
Canada	**66,423**	102,887
Hong Kong	**741**	–
Others	**6,442**	10,042
	368,857	371,725

Geographical location of external customers is based on the location at which the customers are domiciled.

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:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**85,485**	85,510
Customer B	**72,151**	N/A*
Customer C	**68,020**	101,565
Customer D	**39,665**	53,589
Customer E	**38,465**	51,399

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

As at 31 December 2016, 83% (2015: 77%) of the Group's trade receivables was due from five (2015: four) major customers.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the interest income from loans and interest receivables, sales of apparels, net of returns, discounts, rebates and sales related taxes.

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

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**368,116**	371,725
Interest income from loans receivable	**741**	–
	368,857	371,725
Other income and gains		
Gain on disposals of property, plant and equipment	**–**	30
Bank interest income	**205**	360
Net gain on financial assets at fair value through profit or loss	**102**	–
Sundry income	**308**	207
	615	597

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2016	2015
	HK$'000	*HK$'000*
Amortisation of payments for leasehold land held for own use under operating lease	**54**	54
Auditor's remuneration	**730**	600
Cost of inventories recognised as expense	**274,778**	278,906
Depreciation of property, plant and equipment	**1,838**	1,974
Foreign exchange losses, net	**1,343**	1,406
Loss/(gain) on disposals of property, plant and equipment	**6**	(30)
Provision for impairment of inventories	**6,334**	–
Provision for impairment of trade receivables	**777**	–
Operating lease charges in respect of land and buildings	**4,057**	3,695
Employee benefit expense (including directors' emoluments		
– Wages and salaries	**58,631**	51,393
– Pension scheme contribution – defined contribution plans	**2,440**	2,616
– Other benefits	**3,103**	2,887
	64,174	56,896

7. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current income tax charged for the year:		
Hong Kong profits tax	**–**	2,189
PRC enterprise income tax ("EIT")	**658**	1,385
USA corporate income tax	**12**	80
	670	3,654
Deferred tax	**331**	–
	1,001	3,654

(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% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

(iii) PRC EIT is provided at 25% (2015: 25%) on the estimated assessable profits of the Group's PRC subsidiary for the year.

(iv) 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 (2015: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

9. (LOSS)/EARNINGS PER SHARE

The calculations of basic loss per share are based on the loss for the year attributable to owners of the Company of approximately HK$18,769,000 (2015: profit of HK$15,732,000) and the weighted average of 649,890,710 (2015: 600,000,000) shares in issue during the year.

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

10. GOODWILL

	HK$'000
Cost:	
Upon acquisition of a subsidiary and as at 31 December 2016	99,109
Accumulated impairment loss:	
Impairment during the year and as at 31 December 2016	(11,453)
Carrying amount as at 31 December 2016	87,656

For the purpose of impairment testing, goodwill is allocated to the cash generating unit ("CGU") in relation to the Group's provision of money lending services in Hong Kong.

The recoverable amount of the CGU has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2%, which does not exceed the long-term growth rate for market in Hong Kong.

	2016
Pre-tax discounted rate	17.2%
Growth within the five-year period	15%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The growth rate within the five-year period have been based on past experience.

11. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials and consumables	**4,633**	4,266
Work in progress	**1,476**	1,730
Finished goods	**10,817**	19,152
	16,926	25,148

12. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**60,979**	64,379
Less: provision for impairment loss	**(777)**	–
	60,202	64,379
Bills receivable	**3,283**	6,822
	63,485	71,201

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 100 days (2015: 10 to 90 days) to its customers. Trade and bills receivables are non-interest bearing.

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

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**24,670**	17,129
31 to 60 days	**10,569**	18,609
61 to 90 days	**19,561**	22,706
91 to 180 days	**4,390**	3,342
Over 180 days	**1,012**	2,593
	60,202	64,379

As at the reporting date, the Group reviewed its trade receivables for evidence of impairment on both individual and collective basis. The Group provided for impairment loss on individual assessment based on the accounting policy. 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 2016, trade receivables of approximately HK$25,420,000 (2015: HK$23,790,000) 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.

As at 31 December 2016, trade receivables of approximately HK$777,000 (2015: Nil) were provided for impairment loss. The individually impaired receivable mainly relate to a customer who is in unexpected difficult economic situation.

13. LOANS AND INTEREST RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Loans receivable	**79,760**	–
Interest receivables	**705**	–
	80,465	–

The Group's loans and interest receivables, which arise from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in Hong Kong dollars.

As at 31 December 2016, loans and interest receivables of HK$59,435,000 (2015: Nil) were unsecured while remaining loans and interest receivables of HK$21,030,000 (2015: Nil) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds, and guaranteed by certain independent third parties. The interest rates on all loans and interest receivables are fixed ranging from 2.3% to 48% (2015:Nil) per annum and were due within one year.

Ageing analysis of loan and interest receivables that were not impaired and based on due dates is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**80,300**	–
Not more than 1 year past due	**–**	–
More than 1 year past due	**165**	–
	80,465	–

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

Management believes that no impairment allowance is necessary in respect of the loans and interest receivables as there is no significant change in credit quality and the balances are still considered fully recoverable. No loans and interest receivables impaired as at 31 December 2016.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Listed securities held for trading, at fair value		
– Equity securities listed in Hong Kong	**42,000**	–

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Hong Kong Stock Exchange or the market comparable approach at the end of the reporting period.

As at 31 December 2016, the Group's financial assets at fair value through profit or loss have been pledged as security for the Group's margin loan payable of approximately HK$22,112,000 (note 16).

15. TRADE AND BILLS PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**37,753**	35,659
Bills payable	**11,891**	14,919
	49,644	50,578

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2015: from 15 to 120 days).

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

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**16,834**	17,268
31 to 60 days	**3,558**	7,058
61 to 90 days	**10,822**	6,585
91 to 180 days	**3,112**	2,590
Over 180 days	**3,427**	2,158
	37,753	35,659

Bills payable are normally settled on 180 days (2015: 180 days) credit terms.

16. INTEREST-BEARING BORROWINGS

	Notes	2016 HK$'000	2015 HK$'000
Current portion:			
Bank overdraft, secured	*(a)*	**32,044**	–
Margin loan payable, secured	*(b)*	**22,112**	–
Obligations under finance leases, secured		**254**	242
		54,410	242
Non-current portion:			
Obligations under finance leases, secured		**383**	637
		54,793	879
Interests borne at rates per annum in the range of:			
– Fixed-rate borrowings		**5% to 8.25%**	5%
– Variable-rate borrowings		**5.25%**	N/A

The carrying amounts of the Group's interest bearing borrowings are denominated in HK$. Total interest-bearing borrowings due for repayment based on the scheduled repayment dates are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**54,410**	242
More than one year, but not exceeding two years	**268**	254
More than two years, but not exceeding five years	**115**	383
	54,793	879

Notes:

(a) As at 31 December 2016, bank overdraft of the Group was secured by a property of a director of a subsidiary of the Company, and guaranteed by a director of a subsidiary of the Company and an independent party.

(b) As at 31 December 2016, margin loan payable of the Group was secured by financial assets at fair value through profit or loss of the Group and carried a fixed interest rate at 8.25% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in designing, manufacturing and trading of apparels and money lending business.

APPAREL OPERATION

Revenue from apparel operation 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.

Revenue from apparel operation slightly decreased from approximately HK$371,725,000 in year 2015 to HK$368,116,000 in year 2016, representing decline of approximately 1.0%, as impacted by lower revenue from certain major customers with long business relationship. On the other hand, we struggled in 2016 to seek out new customers and the revenue from those new customers offset the adverse impact from lost revenue from those major customers in certain extent.

PRIVATE LABEL PRODUCTS

The revenue from private label products decreased by approximately 20.2% to approximately HK$231,560,000 (2015: HK$290,311,000). Although the revenue from private label products declined in the year, private label products continued to be the core business of the Group, contributing to 62.9% (2015: 78.1%) of the total revenue from apparel operation for the year. In line with the decrease of revenue from private label products, gross profit earned from private label products also decreased by 22.8% to approximately HK$50,184,000 (2015: HK$65,041,000) and the gross profit margin slightly decreased to approximately 21.7% in 2016, compared with approximately 22.4% in 2015.

OWN BRAND PRODUCTS

Own brand products accounted for 37.1% (2015: 21.9%) of the total revenue from apparel operation for the year. For the year 2016, revenue from own brand products increased by approximately 67.7% to approximately HK$136,556,000 (2015: HK$81,414,000) while gross profit also increased by 55.4% to approximately HK$43,154,000 (2015: HK$27,778,000). The gross profit margin for own brand products decreased from approximately 34.1% in 2015 to approximately 31.6% in 2016.

MONEY LENDING BUSINESS

Our newly acquired money lending business focuses on mortgage loans, secured loans and personal loans. The primary source of revenue was generated from interest received from loans provided to customers. The acquisition of Delta Wealth Finance Limited was completed on 28 November 2016, the interest income from money lending business was accounted for subsequent to the acquisition, and our interest income from money lending business contributed an insignificant portion which amounted to approximately HK$741,000 for the year.

COST OF SALES

The cost of sales decreased by approximately 1.5%, from approximately HK$278,906,000 to approximately HK$274,778,000 for the year ended 31 December 2016. The decrease in cost of sales was mainly attributable to depreciation of Renminbi ("RMB") exchange rate against US$ in the year as substantial portion of our cost of sales were denominated in RMB. On the other hand, staff cost of direct and indirect labour increased considerably in the year and this offset in certain extent of the favourable impact of depreciation of RMB on the cost of sales.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit increased by approximately HK$1,260,000 or 1.4% and the gross profit margin increased from approximately 25.0% to 25.5% for the year ended 31 December 2016. The increase in gross profit was primarily attributable to the decrease in cost of sales beneficial from the depreciation of RMB exchange rate in the year as stated in "COST OF SALES". In addition, higher proportion of own brand sales in the year also raised our gross profit as well as gross profit margin. The Group's apparel revenue was derived from the sales of private label products and own brand products, and the gross profit and gross profit margin of the apparel revenue 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 approximately 25.0% in year 2015 to approximately 25.5% was primarily attributable to higher proportion of revenue generated from own brand products, which accounted for 37.1% (2015: 21.9%) of total revenue, which had higher gross profit margin.

OTHER INCOME AND GAINS

Other income and gains increased slightly by approximately HK$18,000 or 3.0%, from approximately HK$597,000 in year 2015 to approximately HK$615,000 in year 2016.

IMPAIRMENT LOSS ON GOODWILL

Goodwill arose on the acquisition of Delta Wealth Finance Limited (the “Acquisition”) in November 2016. Impairment loss on goodwill of approximately HK$11,453,000 is the difference between the carrying amount of CGU on our money lending business and its recoverable amount.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) import duty and transportation costs for delivery of the products; (ii) staff cost for our sales representative; and (iii) rental costs of our showroom. The selling and distribution expenses incurred in the reporting period were approximately HK$46,060,000 (2015: HK$33,967,000), representing an increase of approximately HK$12,093,000 or 35.6% on year to year basis. The increase in selling and distribution expenses was primarily attributable to (i) an increase of approximately HK$9,168,000 import duty and transportation costs for delivery of the products ; and (ii) an increase of approximately HK$1,529,000 in staff cost for our sales representative.

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 2016 were HK$54,471,000 (2015: HK$39,905,000), increased by approximately 36.5% or HK$14,566,000. The increase in administrative expenses was mainly due to (i) provision of obsolete inventories of approximately HK$6,334,000; and (ii) an increase of approximately HK$4,261,000 in staff cost.

FINANCE COSTS

Finance costs represent interest expenses on the Group’s bank borrowings and obligations under finance leases. The finance costs increased by approximately 202.5% or HK$320,000 from approximately HK$158,000 in 2015 to approximately HK$478,000 in 2016, primarily due to increase in utilisation of banking facilities because of the expansion of Group’s business to money lending business.

LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The loss attributable to the owners of the Company for the year was approximately HK$18,769,000, whereas the Group recorded a consolidated net profit attributable to owners of the Company for the year ended 31 December 2015 of approximately HK$15,732,000. The loss attributable to the owners of the Company for the year ended 31 December 2016 was primarily attributable to (i) impairment on goodwill arising on the acquisition of Delta Wealth Finance Limited; (ii) significant increase in the selling and distribution expenses and (iii) significant increase in administration expenses.

GOODWILL

Goodwill was identified on the acquisition of Delta Wealth Finance Limited in November 2016. Details of the Acquisition is contained in the paragraph "MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES".

INVENTORY

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

	As at 31 December 2016	As at 31 December 2015
	HK$'000	*HK$'000*
Raw materials and consumables	**4,633**	4,266
Work in progress	**1,476**	1,730
Finished goods	**10,817**	19,152
	16,926	25,148
Inventory turnover day	**22**	33

The Group's inventories decreased by approximately HK$8,222,000 or 32.7%, from approximately HK$25,148,000 as at 31 December 2015 to approximately HK$16,926,000 as at 31 December 2016. The inventory turnover date also decreased from 33 days as at 31 December 2015 to 22 days as at 31 December 2016. The decrease in inventories was primarily due to the provision of obsolete inventories of approximately HK$6,334,000 in 2016.

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 2016	As at 31 December 2015
	HK$'000	*HK$'000*
Trade receivables	**60,202**	64,379
Bills receivable	**3,283**	6,822
	63,485	71,201
Trade receivables turnover day	**60**	63

The Group's trade and bills receivable decreased by approximately HK$7,716,000 or 10.8% from approximately HK$71,201,000 as at 31 December 2015 to approximately HK$63,485,000 as at 31 December 2016, as well as trade receivables turnover day decreased from 63 days as at 31 December 2015 to 60 days as at 31 December 2016.

LOAN AND INTEREST RECEIVABLES

The Group's loan and interest receivables were approximately HK$80,465,000 as at 31 December 2016, which was arisen from our newly acquired money lending business. The loan and interest receivables as at 31 December 2016 were mainly comprised of mortgage loans and interest receivables, secured loans and interest receivables and personal loans and interest receivables.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables decreased by approximately HK$4,476,000 or 16.4% from approximately HK$27,279,000 as at 31 December 2015 to approximately HK$22,803,000 as at 31 December 2016, primarily due to we placed less trade deposits to our suppliers to purchase raw materials and finished goods.

FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial asset at fair value through profit or loss was HK$42,000,000 as at 31 December 2016, which was equity securities listed on the Stock Exchange.

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 2016	As at 31 December 2015
	HK$'000	*HK$'000*
Trade payables	**37,753**	35,659
Bills payable	**11,891**	14,919
	49,644	50,578
Trade payables turnover day	**50**	47

The Group's trade and bills payable decreased by approximately HK$934,000 or 1.85% from approximately HK$50,578,000 as at 31 December 2015 to approximately HK$49,644,000 as at 31 December 2016. The trade payables turnover day increased from 47 days as at 31 December 2015 to 50 days as at 31 December 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, pledged bank deposits and cash and cash equivalents amounted to approximately HK$66,949,000 (2015: HK$62,493,000). Total interest-bearing borrowings of the Group as at 31 December 2016 was approximately HK$54,793,000 (2015: HK$879,000), of which approximately HK$54,410,000 (2015: HK$242,000) would be repayable within one year and all the remaining interest-bearing borrowings of approximately HK$383,000 (2015: HK$637,000) would be repayable after one year. The current ratio of the Group was approximately 2.22 (2015: 2.79).

GEARING RATIO

The gearing ratio of the Group, calculated as total interest-bearing borrowings over total equity, was approximately 20.7% as at 31 December 2016 (2015: 0.6 %).

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.

FOREIGN EXCHANGE EXPOSURE

The Group derives the majority of its revenue in US$ while substantial portion of our costs are denominated in 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.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 5 September 2016, Smart Dream Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Favor Way Investments Limited to acquire (i) the entire issued share capital of Delta Wealth Finance Limited, and (ii) the sale loan of approximately HK$4,546,000, representing all obligations, liabilities and debts owing by Delta Wealth Finance Limited to Favor Way Investments Limited, at the consideration of (i) cash consideration of HK$25,000,001, and (ii) issuance and allotment of 110,000,000 ordinary shares of by the Company to Favor Way Investments Limited. Completion of the Acquisition took place on 28 November 2016.

Further details of the Acquisition are contained in the Company's announcements dated 5 September 2016, 21 November 2016 and 28 November 2016 and circular dated 4 November 2016 respectively.

PLACING OF SHARES

On 19 August 2016, the Company entered into a placing agreement pursuant to which the Company has agreed to place up to 120,000,000 new shares (the "Placing Shares") at the placing price of HK$0.52 per Placing Share (the "Placing"). The gross and net proceeds from the Placing were approximately HK$62,400,000 and HK$61,000,000 respectively. Completion of the Placing took place on 2 September 2016.

Further details of the Placing are contained in the Company's announcement dated 19 August 2016 and 2 September 2016 respectively.

THE SUBSCRIPTION AND THE POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER

The Company entered into a memorandum of understanding on 23 December 2016 (the "MOU") regarding the possible investment in the shares of the Company (the "Shares") and the possible mandatory general offer to the holders of the Shares (the "Shareholders").

On 26 January 2017, the Company entered into a subscription agreement with New Seres CEFC Investment Fund LP (the "Subscriber") pursuant to which and subject to the conditions precedent thereunder, the Company has agreed to allot and issue to the Subscriber an aggregate of 860,000,000 shares at a total consideration of HK$204,680,000 at the subscription price of HK$0.238 per share (the "Subscription Share") (the "Subscription").

In accordance with the Rule 26.1 of the Code on Takeovers and Mergers (the "Takeovers Code"), the Subscriber will make an unconditional mandatory cash offer for all issued shares (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) at HK$0.745 in cash per share immediately after the completion of the Subscription, provided that the Subscription materialises and is completed.

Further details of the Subscription and the possible unconditional mandatory cash offer are contained in the Company's announcement dated 15 February 2017.

Up to the date of this announcement, the Subscription has not yet been completed.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group did not have any significant capital commitment (2015: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had a total of 410 employees (2015: 402 employees). Total staff costs (including Directors' emoluments) were approximately HK$64,174,000, as compared to approximately HK$56,896,000 for the year ended 31 December 2015. 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

On 25 January 2017, the Group entered into a sale and purchase agreement with a vendor in relation to the acquisition of the entire share capital of Prior Securities Limited ("Prior Securities") and Prior Asset Management Limited ("Prior Asset"). Prior Securities is licensed to carry out type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (the "SFO"). Prior Asset is licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

As at the date of this announcement, the acquisition of Prior Securities and Prior Asset have not yet been completed. Approximately HK$28,900,000 are outstanding for the settlement of the outstanding consideration for the acquisition of Prior Securities and Prior Asset. Depending on the then market environment and the business performance of Prior Securities and Prior Asset, further capital needs may be required in the future for the operation of the financial services business. As at the date of this announcement, save for disclosed herein, the Company has no further plans for future fund raising for the financial services business of the Group. Following the completion of the above acquisition, Prior Securities and Prior Asset will formulate their marketing strategy to retain and deal with potential and existing clients.

FINAL DIVIDEND

The Board of Directors did not recommend any payment of a final dividend for the year ended 31 December 2016.

FUTURE PROSPECTS

In 2017, the global macroeconomic environment will be more complex and volatile. Global political uncertainties as well as the potential change of trade policy of United States after the change of presidency of the United States in 2017 also cast a shadow to our apparel operation as most of our customers are located in the United States. Despite the global uncertainties and challenges, the Group will continue to manage its existing businesses and explore new business opportunities with prudence to remain our competitiveness.

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 2016.

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 announcement 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 2016 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 2016 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 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, 20 March 2017

As at the date of this joint announcement, the executive Directors are Mr. Hubert Tien, Mr. Chen Gang, Mr. Qu Chengbiao, Mr. Yeung Kwok Leung, Mr. Cheng Tze Kit Larry and Mr. Liu Chun Fai and the independent non-executive Directors are Mr. Tang Shu Pui Simon, Mr. Tse Yuen Ming and Mr. Hon Ming Sang.