



Mastercraft International Holdings Limited

馬仕達國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3966

Interim Report **2015**



INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (the "Board") of Directors (the "Directors") is pleased to present the unaudited condensed consolidated interim results of Mastercraft International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 together with the unaudited comparative figures for the corresponding periods in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	181,638	162,025
Cost of sales		(145,170)	(126,622)
Gross profit		36,468	35,403
Other income		36	52
Selling expenses		(10,688)	(10,042)
Administrative expenses		(11,594)	(10,953)
Research and development expenses		(2,850)	(2,645)
Profit before tax	5	11,372	11,815
Income tax expenses	6	(2,235)	(2,372)
Profit for the period		9,137	9,443
Other comprehensive income/(expense):			
Exchange differences arising on translating foreign operation		48	(43)
Total comprehensive income for the period		9,185	9,400
Earnings per share HK cents – Basic	8	1.90	1.97

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
	Note		
Non-current assets			
Property, plant and equipment	9	5,218	5,373
Deferred tax assets		1,245	1,193
Intangible asset		805	853
		7,268	7,419
Current assets			
Inventories		34,607	30,218
Trade and other receivables	10	62,362	74,237
Cash and bank balances		28,222	21,758
		125,191	126,213
Current liabilities			
Trade and other payables	11	45,153	38,921
Provision		4,556	5,290
Amount due to a related company		240	160
Tax payables		2,872	2,948
		52,821	47,319
Net current assets		72,370	78,894
Total assets less current liabilities		79,638	86,313
Non-current liabilities			
Deferred tax liabilities		63	83
Net assets		79,575	86,230
Capital and reserves			
Share capital	12	4,800	4,800
Reserves		74,775	81,430
		79,575	86,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	4,800	32,523	(132)	(1)	39,808	76,998
Profit for the period	-	-	-	-	9,443	9,443
Other comprehensive expense for the period	-	-	(43)	-	-	(43)
Total comprehensive (expense) income for the period	-	-	(43)	-	9,443	9,400
Dividend recognised as distribution	-	-	-	-	(14,400)	(14,400)
At 30 June 2014 (unaudited)	4,800	32,523	(175)	(1)	34,851	71,998
At 1 January 2015 (audited)	4,800	32,523	(132)	(1)	49,040	86,230
Profit for the period	-	-	-	-	9,137	9,137
Other comprehensive income for the period	-	-	48	-	-	48
Total comprehensive income for the period	-	-	48	-	9,137	9,185
Dividend recognised as distribution	-	-	-	-	(15,840)	(15,840)
At 30 June 2015 (unaudited)	4,800	32,523	(84)	(1)	42,337	79,575

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash generated from operating activities	22,849	6,048
Net cash used in investing activities	(552)	(370)
Net cash used in finance activities	(15,840)	(14,400)
Net increase/(decrease) in cash and cash equivalents	6,457	(8,722)
Cash and cash equivalents at beginning of the period	21,758	25,398
Effect of exchange rate changes	7	(39)
Cash and cash equivalents at end of the period, represented by bank balances and cash	28,222	16,637

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

Mastercraft International Holdings Limited (the “Company”) is incorporated and domiciled in the Cayman Islands as an exempted company with limited liability on 3 August 2011. The Company has established a principal place of business in Hong Kong at Unit 503, 5th Floor, Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong and has been registered as a non-Hong Kong company under part XI of the Hong Kong Companies Ordinance on 12 October 2011. Its issued shares have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 20 July 2012 and have been transferred from GEM to Main Board of the Stock Exchange on 5 August 2015.

The Company is an investment holding company. The principal activities of the Group are design and supply chain of lighting and home furnishing products.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is different from the functional currency of the Company, United States dollars (“US\$”), as the directors of the Company consider that HK\$ is more appropriate as the Company’s shares are listed in Hong Kong.

The condensed consolidated financial statements have not been reviewed nor audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”), interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities of the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgments in the process of applying the Group’s accounting policies.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted in preparing the condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2014.

The following amendments to standards are mandatory for the first time for the financial year beginning on or after 1 July 2014 and are relevant to the Group:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle
Amendments to HKAS 19	Defined benefit plans: Employee contributions

The application of these amendments has had no material impact on the Group's financial performance and positions for the current reporting period and prior years and/or on the disclosures set out in the condensed consolidated financial statements. The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective.

4. SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold to outside customers, less returns and discount, if any, during the year.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the revenues and gross profit from different types of goods delivered. No operating segments identified by chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. Information relating to assets and liabilities in each segment is not included in the internal report regularly reviewed by the executive directors of the Company.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

- (i) Portable lighting represents a selection of portable lighting products, e.g. table lamps, floor lamps, accent lamps, buffet lamps etc., ("Portable lighting").
- (ii) Shades represent a selection of shades for the lamps sold by the Group. Shades are complementary goods and a frame that typically fit on the top of a lamp and cover the lighting source ("Shades").
- (iii) Furniture set and other home accessory products represent the knockdown furniture and ready-to-assemble furniture sets that are sold unassembled, and be put together by the end-customers etc. ("Furniture set and other home accessory products").



Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the six months ended 30 June 2015 (unaudited)

	Portable lighting HK\$'000	Shades HK\$'000	Furniture sets and other home accessory products HK\$'000	Total HK\$'000
SEGMENT REVENUE				
External sales	133,275	36,744	11,619	181,638
Segment profit	23,462	9,948	3,058	36,468
Unallocated income				36
Unallocated expenses				
– Selling expenses				(10,688)
– Administration expenses				(11,594)
– Research and development expenses				(2,850)
Profit before tax				11,372

For the six months ended 30 June 2014 (unaudited)

	Portable lighting HK\$'000	Shades HK\$'000	Furniture sets and other home accessory products HK\$'000	Total HK\$'000
SEGMENT REVENUE				
External sales	122,166	28,146	11,713	162,025
Segment profit	24,719	7,825	2,859	35,403
Unallocated income				52
Unallocated expenses				
– Selling expenses				(10,042)
– Administration expenses				(10,953)
– Research and development expenses				(2,645)
Profit before tax				11,815



Segment profit represents the profit earned by each segment without allocation of certain income and expenses (including other income, selling expenses, administration expenses and research and development expenses). This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance.

Geographical Information

The Group's operations are located in Hong Kong, the People's Republic of China (excluding Hong Kong) ("PRC") and North America.

Information about the Group's revenue from external customers based on the location of goods physically delivered to and information about its non-current assets based on geographical location of the assets:

	Revenue from external customers		Non-current assets (other than deferred tax assets)	
	Six months ended		As at	
	30 June		30 June	31 December
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Hong Kong	–	–	1,518	1,786
PRC	–	–	2,269	2,537
North America	181,638	162,025	2,236	1,903
Total revenue/non-current assets	181,638	162,025	6,023	6,226

Information about major customers

Revenues from customers of the corresponding period contributing over 10% of the total revenue of the Group are as follows:

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A (Note)	75,202	70,225
Customer B (Note)	49,716	43,173

Note: The revenue from Customers A and B involved in portable lighting, shades and furniture set and other home accessory products segments.

5. PROFIT BEFORE TAX

	Six months ended	
	30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Cost of inventories recognised as expenses	142,413	123,180
Amortisation of intangible asset	48	48
Depreciation of property, plant and equipment	817	686
Net foreign exchange loss	119	150
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	14,968	13,629
Retirement benefits scheme contributions	440	380
	15,408	14,009
Less: amount included in research and development expenses	(1,278)	(1,453)
	14,130	12,556
Interest income	(28)	(52)



6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current taxation	2,299	2,759
Deferred tax	(64)	(387)
	2,235	2,372

The Company is tax exempt under the laws of the Cayman Islands. The subsidiaries operating in Hong Kong are subject to Hong Kong Profits Tax at a tax rate of 16.5% on profits earned in Hong Kong.

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdiction.

7. DIVIDEND

The Directors do not recommend payment of any dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

A final dividend for the year ended 31 December of 2014 of HK\$0.033 per ordinary share has been paid during the six months ended 30 June 2015.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company and the weighted average of 480,000,000 ordinary shares in issue during the six months period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment with a cost of approximately HK\$621,000 (during the six months ended 30 June 2014: HK\$422,000).

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Trade receivables	60,518	69,401
Other receivables and prepayments	1,844	4,836
	62,362	74,237

Trade receivables are mainly arisen from sales of portable lighting and home furnishing products. No interest is charged on the trade receivables.

The Group allows credit period with a range from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables and bill receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
1 to 30 days	24,491	32,199
31 to 60 days	21,391	34,957
61 to 90 days	9,011	1,643
Over 90 days	5,625	602
	60,518	69,401



11. TRADE AND OTHER PAYABLES

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Trade payables	40,634	29,970
Accrued sales commission	145	193
Other payables and accruals	4,374	8,758
	45,153	38,921

The credit period granted by suppliers to the Group ranged from 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
1 to 30 days	23,311	23,712
31 to 60 days	12,092	4,677
61 to 90 days	1,331	972
Over 90 days	3,900	609
	40,634	29,970

12. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
As at 1 January 2014, 31 December 2014 and 30 June 2015	800,000,000	8,000
Issued and fully paid:		
As at 1 January 2014, 31 December 2014 and 30 June 2015	480,000,000	4,800

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the design and supply chain of lighting and home furnishing products, the manufacture of which is outsourced to independent contract manufacturers in the People's Republic of China (the "PRC"). North America is the principal market of the Group and the Group sold products mainly to mass market retailers, home furnishing stores, furniture stores and specialty stores. Mass market retailers remain as the Group's major customer category during the six months ended 30 June 2015, which contributed to approximately 75.9% (2014: 77.8%) of the Group's total revenue.

The Group's revenue from sale of portable lighting, shades and furniture set and other home accessory products for the six months ended 30 June 2015 was approximately HK\$133.3 million, HK\$36.7 million and HK\$11.6 million (2014: HK\$122.2 million, HK\$28.1 million and HK\$11.7 million) respectively. Portable lighting remained as the Group's significant revenue stream. During the period under review, portable lighting and shades contributed to approximately 73.4% and 20.2% (2014: 75.4% and 17.4%) of the Group's revenue, respectively. The gross profit margin of portable lighting and shades decreased from 20.2% to 17.6% and 27.8% to 27.1%, respectively. The gross profit margin of furniture set and other home accessory products increased from 24.4% to 26.3%. The Directors and management are continuously monitoring the product margin in order to enhance the shareholders' interest.



FINANCIAL REVIEW

The revenue of the Group increased by approximately 12.1% from approximately HK\$162.0 million for the six months ended 30 June 2014 to HK\$181.6 million for the six months ended 30 June 2015. Cost of sales of the Group increased by approximately 14.7% from HK\$126.6 million to HK\$145.2 million. The gross profit increased by 3.0% from approximately HK\$35.4 million to HK\$36.5 million. The gross margin was dropped from 21.9% to 20.1%. The total operating cost was HK\$23.6 million and HK\$25.1 million, which represented 14.6% and 13.8% of the revenue for the six months ended 30 June 2014 and 2015, respectively.

Profit attributable to owners of the Company decreased by approximately 3.2% from approximately HK\$9.4 million for the six months ended 30 June 2014 to approximately HK\$9.1 million for the six months ended 30 June 2015. The Group's net profit margin dropped from 5.8% to 5.0% for the corresponding periods in 2015.

FINANCIAL POSITION AND LIQUIDITY

As at 30 June 2015, cash and bank balances of the Group amounted to approximately HK\$28.2 million (As at 31 December 2014: HK\$21.8 million). The Group's current ratio (current asset divided by current liabilities) was 2.7 times and 2.4 times as at 31 December 2014 and 30 June 2015, respectively. Considering the Group's current level of cash and bank balances which includes the unspent net proceeds from the listing, funds generated internally from our operations and the available banking facilities, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. As 31 December 2014 and at 30 June 2015, the Group has unutilized general banking facilities of HK\$5,000,000.

CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Group, comprising issued capital and reserves.

As at 30 June 2015, there was no borrowing. Therefore, gearing ratio is not meaningful. The Directors of the Company review the capital structure regularly, taking into account the cost of capital and the associated risks. Based on recommendations of the management of the Group, the Group will balance its overall capital structure accordingly.

GROUP'S EMOLUMENT POLICY

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments, if any, are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group. Each Director may also receive a year-end bonus in respect of each financial year. The amount of such bonus will be determined by the remuneration committee of the Board.

As at 30 June 2015, the Group employed total of 5 directors and 115 employees. Total staff costs, including Directors' emoluments, amounted to approximately HK\$15.4 million for the six months ended 30 June 2015 (2014: HK\$14.0 million). The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The Group provided discretionary bonus, medical insurance and provident fund. The Company adopted a share option scheme on 21 June 2012, under which the Company can grant options to, among others, employees of the Group to subscribe for shares of the Company with a view to rewarding them for their contributions to the Group and giving incentives to them for optimizing their future contributions to the Group. Up to the date of this report, no share option has been granted under such share option scheme.

OUTLOOK

Product design and development continue to play a crucial role in the Group's business. Introducing innovative new products is the centrepiece of our long term strategy. In the years to come, we will continue to innovate and expand our product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a strong competitive advantage. In addition, we will continually strengthen our existing supply chain network of design and development, sourcing, quality control, logistics, and distribution, allowing us to better support our customers and capture a higher market share in the consumer goods supply chain.



Owing to fierce competition across the portable lighting and home furnishing industry in the U.S., a strategic initiative was launched to expand the business of the Group to sell under our own brand name – “Couture”. We continue to increase awareness and build up the profile of “Couture” not only in North America, but Europe and Asia Pacific markets. Brand extension, market expansion and introduction new product categories are expected to generate sustainable growth. Geographic expansion will be a highlight of our future; our long term strategy is to gradually build our business outside North America. We will also concentrate in development of furniture industry by hiring a development team to expand our furniture products to mass market retailers and furniture stores; where the greatest potential growth in demand in the near future is expected.

Looking forward, the global economic environment will continue to be uncertain. To stay competitive in the market, the Group will increase its efforts to enhance the Group’s profile through participation in trade shows, events, exhibitions and fairs and expand its product portfolio to keep abreast of market trends. In order to explore opportunities around the world, we will conduct feasibility study with the online sales market and platform. The Group will continue to uphold its proven track record and reputation of punctually delivering consistent and high quality products by optimising the quality control system and performing stringent quality control measures in every area of operations.

CONTINGENT LIABILITIES

As at 30 June 2015 and 31 December 2014, the Group did not have any contingent liabilities.

SIGNIFICANT INVESTMENTS

As at 30 June 2015 and 31 December 2014, the Group did not have any significant investment plans.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2015 and 31 December 2014.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2015 and year ended 31 December 2014, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

CHARGES ON ASSETS

As at 30 June 2015 and 31 December 2014, the Group has general banking facilities of HK\$5,000,000. The banking facilities are secured by the Group's land and building, having carrying amount of approximately HK\$955,000 and HK\$966,000 as at 30 June 2015 and 31 December 2014, respectively.

FOREIGN EXCHANGE EXPOSURE

During the period under review, all sales of the Group were invoiced in U.S. dollars and all purchases from contract manufacturers were also invoiced in U.S. dollars. As H.K. dollar is pegged to U.S. dollar, the exposure to fluctuations in exchange rate of H.K. dollar against U.S. dollar is considered insignificant and the amounts of other foreign currencies involved are insignificant, thus the management of the Group is of the opinion that the Group's exposure to such foreign exchange risk is minimal.

CAPITAL COMMITMENT

As at 30 June 2015 and 31 December 2014, the Group did not have any significant capital commitment.

USE OF PROCEEDS

The net proceeds from the placing of shares at the listing of the Company on GEM on 20 July 2012 were approximately HK\$24.2 million. The use of net proceeds from 20 July 2012 to 31 December 2014 had been disclosed in the annual report of the Company for the year ended 31 December 2014.

The Group originally planned to use part of the net proceeds to conduct feasibility study for the portable lighting and home furnishing industry in overseas market and the PRC hotel and motel market. The Group intends to strategically and gradually build up its business outside North America, including European and Asia Pacific market, under the Group's own brand name. However, the Directors are of the view that it is not in the best interest of the Company and its shareholders for the Group to enter into PRC hotel and motel market due to the amid market downturn in this market which may create uncertainties and increase market challenge to be faced by the Company. Thus, the Company did not utilize the proceeds as planned. As at 30 June 2015, the unutilized net proceeds was in the sum of approximately HK\$2.4 million. The Group will review its business strategy from time to time and apply the unutilized net proceeds to conduct feasibility studies in the future as and when the opportunities arise, which is same as the planned used of proceed as stated in the prospectus of the Company for the listing of the Company on GEM dated 10 July 2012. The remaining proceeds as at 30 June 2015 had been placed as interest bearing deposits at banks in Hong Kong.

CORPORATE GOVERNANCE REPORT

The Company endeavors to maintain high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") during the six months ended 30 June 2015 (as the Company was only transferred to list on Main Board since 5 August 2015, the GEM Listing Rules was still applicable to relevant disclosure requirements as at and during the six months ended 30 June 2015 in this report), except for the following:

Under code provision A.2.1, which states that the roles of chairman and chief executive ("CE") should be separated and should not be performed by the same individual. Mr. Leung Yuen Ho, Simon, who acts as the chairman and the CE of the Company, is also responsible for the overall business strategy and development and management of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and the CE. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently. As such, the structure is beneficial to the Group and the shareholders as a whole.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility of appointing a CE. The Company will make timely announcement if such decision has been made.

Save as disclosed above, the Board considered that the Company had complied with the code provisions set out in the Code during the six months ended 30 June 2015.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2015, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the six months ended 30 June 2015, he had fully complied with the required standard of dealings and there was no event of non-compliance.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

LONG POSITIONS IN THE SHARES

Name	Capacity and nature of interest	Number of shares (note 1)	Percentage of the Company's issued share capital
Mr. Leung Yuen Ho, Simon (note 2)	Interest of controlled corporation	180,000,000 (L)	37.5%
Mr. Jerry Denny Strickland Jr.	Beneficial owner	180,000,000 (L)	37.5%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. Mr. Leung Yuen Ho, Simon is deemed to be interested in 180,000,000 shares held by SYH Investments Limited under SFO.

Save as disclosed above, as at 30 June 2015, none of the Directors or the chief executive of the Company or their respective associates had registered any other interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Save as disclosed below, as at 30 June 2015, the Directors were not aware of any other person who had, or was deemed to have, interests or short positions in the Shares, underlying shares or debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

LONG POSITIONS IN THE SHARES

Name	Capacity and nature of interest	Number of shares (note 1)	Percentage of the Company's issued share capital
SYH Investments Limited (note 2)	Beneficial owner	180,000,000 (L)	37.5%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. SYH Investments Limited, a company incorporated in BVI on 30 May 2011 with limited liability, is an investment holding company the entire issued share capital of which is held by Mr. Leung Yuen Ho, Simon as at 30 June 2015.

CONTRACT OF SIGNIFICANCE

At 30 June 2015, there is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

COMPETING INTEREST

For the six months ended 30 June 2015, the Directors were not aware of any business or interest of the Directors or the controlling shareholder of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Since the Scheme has become effective on 21 June 2012, no share option was granted, exercised or cancelled by the Company under the Scheme during the period under review and there was no outstanding share option under the Scheme as at 30 June 2015.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the six months ended 30 June 2015 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares.



AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference on in compliance with the GEM Listing Rules. Since 5 August 2015, the written terms of reference of the Audit Committee was in compliance with the Listing Rules and Code set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Lai Kin Jerome (chairman of the audit committee), Mr. Hau Chi Hung and Mr. Tang Thomas Bong.

The unaudited condensed financial statements of the Company for the six months ended 30 June 2015 has been reviewed by the audit committee.

By order of the Board
Mastercraft International Holdings Limited
Leung Yuen Ho, Simon
Chairman and Executive Director

Hong Kong, 7 August 2015