



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: 8146



Interim Report 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed in the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Mastercraft International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This report, in both English and Chinese versions, is available on the Company’s website at www.mastercraftholdings.com.



The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2012 together with the unaudited comparative figures for the corresponding periods in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2012

	Note	Three months ended 30 June		Six months ended 30 June	
		2012	2011	2012	2011
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	68,203	65,071	142,274	116,029
Cost of sales		(54,695)	(53,297)	(112,694)	(95,463)
Gross profit		13,508	11,774	29,580	20,566
Other income		—	159	30	166
Selling expenses		(3,367)	(1,344)	(7,897)	(4,325)
Administrative expenses		(5,350)	(3,315)	(9,716)	(5,204)
Research and Development expenses		(421)	(1,128)	(1,936)	(2,798)
Listing expenses		(1,960)	(811)	(3,524)	(811)
Profit before tax	4	2,410	5,335	6,537	7,594
Income tax expenses	5	(429)	(864)	(1,841)	(1,249)
Profit for the period		1,981	4,471	4,696	6,345
Other comprehensive expenses:					
Exchange differences arising on translating foreign operation		—	—	—	(6)
Total comprehensive income for the period		1,981	4,471	4,696	6,339
Earnings per share HK cents					
— Basic	7	0.6 cents	1.2 cents	1.3 cents	1.8 cents

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2012

	Note	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	2,909	3,134
Deferred tax assets		770	756
		3,679	3,890
Current assets			
Inventories		17,553	14,703
Trade and other receivables	9	45,451	51,132
Cash and bank balances		5,822	3,364
		68,826	69,199
Current liabilities			
Trade and other payables	10	41,767	41,265
Provision		8,257	8,711
Tax payables		2,945	8,456
Amount due to a related company		464	257
		53,433	58,689
Net current assets		15,393	10,510
Total assets less current liabilities		19,072	14,400
Non-current liabilities			
Deferred tax liabilities		176	200
		176	200
Net assets		18,896	14,200
Capital and reserves			
Share capital	11	350	349
Reserves		18,546	13,851
		18,896	14,200



CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As at 30 June 2012

	Share capital HK\$'000	Translation reserve HK\$'000	Merger reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2011 (audited)	349	(5)	—	24,128	24,472
Profit for the year	—	—	—	9,609	9,609
Other comprehensive expenses for the year	—	(11)	—	—	(11)
Dividend recognised as distribution	—	—	—	(19,870)	(19,870)
At 31 December 2011 and 1 January 2012 (audited)	349	(16)	—	13,867	14,200
Elimination of share capital pursuant to the Reorganisation	(349)	—	—	—	(349)
Issue of 3,499,998 ordinary shares pursuant to the Reorganisation	350	—	(1)	—	349
Profit for the period	—	—	—	4,696	4,696
At 30 June 2012 (unaudited)	350	(16)	(1)	18,563	18,896

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from (used in) operating activities	2,546	(4,472)
Net cash used in investing activities	(88)	(3,114)
Net cash used in finance activities	—	(3,393)
Net increase (decreased) in cash and cash equivalents	2,458	(10,979)
Cash and cash equivalents at beginning of the period	3,364	12,504
Effect of foreign exchange rate changes	—	(10)
Cash and cash equivalents at end of the period, represented by bank balances and cash	5,822	1,515



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 June 2012

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 21 September 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.

Pursuant to a reorganisation (the “Reorganisation”) of the Company and its subsidiaries now comprising the Group completed on 21 June 2012 to rationalise the Group’s structure in preparation for the listing of the Shares on GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 10 July 2012 (the “Prospectus”).

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The unaudited condensed consolidated financial statements has been prepared in accordance with the basis of presentation which comply 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 on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the company. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

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

The preparation of financial statements in conformity with the HKFRS 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.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2011.

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000), unless otherwise stated.

The condensed consolidated accounts have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. SEGMENT INFORMATION

Information reported to the Board of 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 profit from different types of goods delivered. Information relating to assets and liabilities in each segment is not included in the internal report regularly reviewed by the Board of Directors of the Company.

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

1. Portable lighting (Note 1)
2. Shades (Note 2)
3. Furniture set and other home accessory products (Note 3)

Notes:

1. Portable lighting represented a selection of portable lighting products (e.g. Table lamps, floor lamps, accent lamps, buffet lamps etc.).
2. Shades represent a selection of shades for the lamps sold by the Group. Shades are complementary goods. A shade is comprised of a frame that typically fits on the top of a lamp and cover the lighting source.
3. Furniture sets 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.



(a) Segment revenues and results

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

For the six months ended 30 June 2012 (unaudited)

	Portable lighting HK\$'000	Shades HK\$'000	Furniture sets and other home accessory products HK\$'000	Total HK\$'000
SEGMENT REVENUE				
External sales	96,418	36,355	9,501	142,274
Segment profit	18,332	9,134	2,114	29,580
Unallocated income				30
Unallocated expense				
— Selling expenses				(7,897)
— Administration expenses				(9,716)
— Research and development expenses				(1,936)
— Listing expenses				(3,524)
Profit before tax				6,537

For the six months ended 30 June 2011 (unaudited)

	Portable lighting HK\$'000	Shades HK\$'000	Furniture sets and other home accessory products HK\$'000	Total HK\$'000
SEGMENT REVENUE				
External sales	74,467	29,107	12,455	116,029
Segment profit	11,322	6,285	2,959	20,566
Unallocated income				166
Unallocated expense				
— Selling expenses				(4,325)
— Administration expenses				(5,204)
— Research and development expenses				(2,798)
— Listing expenses				(811)
Profit before tax				7,594

Segment profit represents the profit earned by each segment without allocation of certain income and expense (including other income, selling expenses, administration expenses, research and development expenses and listing expense.) 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.

(b) Geographical information

The Group's operations are located in Hong Kong, the PRC and North America.

The following table summarises the Group's revenue from customers and information about its non-current assets by geographical locations:

	Revenue from external customers		Non-current assets (other than deferred tax assets)	
			As at 30 June	As at 31 December
	2012	2011	2012	2011
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (audited)
Hong Kong (country of domicile)	—	—	2,757	2,984
PRC	—	—	128	150
North America	141,939	116,029	24	—
Others	335	—	—	—
Total revenue	142,274	116,029	2,909	3,134

(c) Information about major customers

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

	Six months ended 30 June	
	2012	2011
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Customer A	56,780	N/A
Customer B	39,525	40,480
Customer C	14,189	14,984
Customer D	N/A	27,559



4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Bad debt written off of trade receivables	—	410
Cost of inventories recognised as expenses	110,465	92,243
Depreciation of property, plant and equipment	313	282
Net foreign exchange loss (gain)	54	(39)
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	10,055	2,807
Retirement benefits scheme contributions	320	96
	10,375	2,903
Less: amount included in research and development expenses	(1,042)	(521)
	9,333	2,382
Gain on disposal of property, plant and equipment	—	(120)
Interest income	—	(1)

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation	1,865	1,170
Deferred tax	(24)	79
	1,841	1,249

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.

6. DIVIDENDS

The Directors do not recommend payment of any dividend for the six months ended 30 June 2012.

7. 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 360,000,000 ordinary shares of the Company, taking into account the effect of capitalisation issue as stated in the Prospectus.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of approximately HK\$88,000 (during the six months ended 30 June 2011: HK\$722,000).

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 HK\$'000 (unaudited)	As at 31 December 2011 HK\$'000 (audited)
Trade receivables	44,438	50,536
Bill receivables	442	117
	44,880	50,653
Other receivables and prepayments	571	479
	45,451	51,132

Trade and bill receivables are mainly arisen from sales of portable lightings 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 each reporting period.

	As at 30 June 2012 HK\$'000 (unaudited)	As at 31 December 2011 HK\$'000 (audited)
1 to 30 days	14,762	26,047
31 to 60 days	25,659	15,451
61 to 90 days	2,950	8,263
Over 90 days	1,509	892
	44,880	50,653

10. TRADE AND OTHER PAYABLES

	As at 30 June 2012 HK\$'000 (unaudited)	As at 31 December 2011 HK\$'000 (audited)
Trade payables	33,493	33,606
Accrued sales commission	392	1,268
Other payables and accruals	7,882	6,391
	41,767	41,265

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 2012 HK\$'000 (unaudited)	As at 31 December 2011 HK\$'000 (audited)
1–30 days	14,763	17,760
31–60 days	17,528	12,848
61–90 days	975	2,688
Over 90 days	227	310
	33,493	33,606

11. SHARE CAPITAL

	THE COMPANY Number of shares	Share capital HK\$
Authorised:		
Ordinary shares of HK\$0.01 each at date of incorporation and at 31 December 2011	38,000,000	380,000
Increased in authorised share capital, ordinary shares of HK\$0.01 each	762,000,000	7,620,000
As at 30 June 2012	800,000,000	8,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at date of incorporation and at December 31, 2011	2	0.02
Issue of ordinary shares pursuant to the Reorganisation	3,499,998	349,999.98
As at 30 June 2012	3,500,000	350,000

On 3 August 2011, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one share of the Company was allotted and issued to Codan Trust Company (Cayman) Limited, being the subscriber to the Company. On 3 August 2011, the one share held by Codan Trust Company (Cayman) Limited was transferred to SYH Investment Limited and an additional one share was allotted and issued to Mr. Jerry Strickland.



Pursuant to the written resolutions of the shareholders passed on 21 June 2012, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$8,000,000 divided into 800,000,000 shares by the creation of a further 762,000,000 shares ranking *pari passu* with the existing shares in all respects.

The Company became the holding company of the Group on 21 June 2012. For the purpose of this report, share capital in the consolidated statements of financial position represent the aggregate amount of issued share capital of the Company, Mastercraft Worldwide Limited, Mastercraft International Limited, and Mastercraft China Limited, Mastercraft Home Furnishing Development (Shenzhen) Limited, Mastercraft Overseas Limited and Mastercraft Distribution USA Inc. at 31 December 2011.

12. SUBSEQUENT EVENTS

The Company was successfully listed on the GEM board of the Stock Exchange on 20 July 2012 by way of placing of 120,000,000 Shares at the price of HK\$0.35 per Share. The net proceeds were approximately HK\$24.2 million. The following is a description of the authorised and issued share capital of the Company as of the completion of the placing.

	Share capital HK\$
Authorised:	
800,000,000 shares	8,000,000
Issued and fully paid:	
35,000,000 shares in issue	350,000
325,000,000 shares issued under the capitalisation issue	3,250,000
120,000,000 shares issued under the placing	1,200,000
480,000,000 shares issued in total	4,800,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the design and sale of portable lighting, shades and furniture sets and other home accessories, the manufacture of which is outsourced to independent contract manufacturers in the PRC. North America is the principal market of the Group and mainly sold to mass market retailers, home furnishing stores, furniture stores and specialty stores. Mass market retailers remain as the Group's major customers during the six months ended 30 June 2012, which contributed to approximately 77.7% of the Group's total revenue.

The Group's revenues from sale of portable lighting, shades and furniture sets and other home accessory products for the six months ended 30 June 2012 was approximately HK\$96.4 million, HK\$36.4 million and HK\$9.5 million (2011: HK\$74.4 million, HK\$29.1 million and HK\$12.5 million) respectively. Portable lighting products maintained a significant revenue stream to the Group. During the period under review, portable lighting product and shades contributed to approximately 67.7% and 25.6% (2011: 64.2% and 25.1%) of the Group's revenue, respectively. The Directors and management are continuously monitoring the product margin in order to enhance the shareholders' interest. The gross margin of portable lighting products and shades increased from 15.2% to 19.0% and 21.6% to 25.1%, respectively.

FINANCIAL REVIEW

With the support and trust gained from our strong customer base in North America and the development of the US distribution hub, the Group recorded 22.6% of revenue growth during the six months ended 30 June 2012. The revenue increased from approximately HK\$116.0 million for the six months ended 30 June 2011 to HK\$142.3 million for the six months ended 30 June 2012.

Cost of sales of the Group increased by approximately 18.0% from HK\$95.5 million for the six months ended 30 June 2011 to HK\$112.7 million for the six months ended 30 June 2012. As a result of the foregoing, the gross profit of the Group increased by 43.8%, from approximately HK\$20.6 million for the six months ended 30 June 2011 to HK\$29.6 million for the six months ended 30 June 2012. The gross profit margin was 17.7% and 20.8% for the six months ended 30 June 2011 and 2012, respectively.



With the commencement of our US distribution hub and the PRC development center in October 2011 and November 2011, respectively, the staff costs have increased by HK\$7.2 million as compare to the same corresponding period.

Profit attributable to owners of the Company was approximately HK\$4.7 million represent a decrease of approximately 25.9% as compared with approximately HK\$6.3 million for the corresponding period in 2011, which was mainly attributable to the increase in listing expenses by approximately HK\$2.7 million. As the Company was listed in July 2012, it is expected that there will be approximately HK\$1.5 million of listing expenses to be accounted for during the third quarter this year. Excluding the listing expenses for the six months ended 30 June 2012 and 2011, the profit attributable to owners of the Company generated from business operations was approximately HK\$8.2 million and HK\$7.2 million, respectively, which represented an increase of 15.0%.

FINANCIAL POSITION AND LIQUIDITY

As at 30 June 2012, cash and bank balances of the Group amounted to approximately HK\$5.8 million (As at 31 December 2011: HK\$3.4 million). The current ratio (current asset divided by current liabilities) of the Group was 1.2 and 1.3 times as at 31 December 2011 and 30 June 2012, respectively. In view of the Group's current level of cash and bank balances, funds generated internally from our operations and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. As at 30 June 2012, the Group has unutilised general banking facilities of HK\$3,500,000.

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 throughout the period of review.

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

The Directors of the Company review the capital structure regularly, taking into account the cost of capital and the risks associated with the capital.

OUTLOOK

The Directors believe that the successful listing of the Shares of the Company on the GEM board of the Stock Exchange on 20 July 2012 by way of placing could enhance the Group's profile and the net proceeds from the placing will strengthen the Group's financial position and enable the Group to implement its business plan. The Group intends to capitalise on its recurring business in the design and development of portable lighting, shades, furniture sets and other home accessory products while targeting further expansion in selected overseas markets, and particularly to increase its market share in the North America markets, where the Directors see the greatest near-future potential for the Group's products. The Group further intends to remain competitive through the cost-effective outsourcing of the production of its existing and future products. Details of the implementation plan were set out in the prospectus of the Company dated 10 July 2012 under section "Statement of Business Objectives".

CONTINGENT LIABILITIES

In February 2011, a USA based service representative of Mastercraft International Limited ("Mastercraft International"), filed a court case against Mastercraft International and its related parties Mr. Jerry Strickland, Jerry Strickland Inc., and Mastercraft International USA Inc. ("Mastercraft International USA"), which was wholly owned by Mr. Jerry Strickland, in a district court in the State of Minnesota, USA, for breach of contract in an amount in excess of US\$50,000 in regard of, inter alia, the immediate termination of contract with the aforementioned service representative in July 2010. Subsequent to the six months ended 30 June 2012, a settlement agreement was reached between the aforementioned service representative and Mastercraft International, Mr. Jerry Strickland, Jerry Strickland Inc., and Mastercraft International USA to settle the case. The full amount of settlement was agreed to be borne by Mr. Jerry Strickland. There was no material adverse impact on the financial position of the Group.

SIGNIFICANT INVESTMENTS

As at 30 June 2012 and 31 December 2011, 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 2012 and 31 December 2011.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2012, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

CHARGES ON ASSETS

As at 30 June 2012 and 31 December 2011, the Group has general banking facilities of HK\$3,500,000. The banking facilities are secured by the Group's land and building, having carrying amount of approximately HK\$1,184,000 and HK\$1,224,000 as at 30 June 2012 and 31 December 2011, 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 the H.K. dollar is pegged to the U.S. dollar, the exposure to fluctuations in exchange rate of the H.K. dollar against the 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 2012 and 31 December 2011, the Group does not have any significant capital commitment.

CORPORATE GOVERNANCE REPORT

The Company endeavors in maintaining 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 2012.

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

During the six months ended 30 June 2012, 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 2012, he or she 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 2012, 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	1,750,000 (L)	50%
Mr. Jerry Denny Strickland Jr.	Beneficial owner	1,750,000 (L)	50%
SYH Investments Limited (note 3)	Beneficial owner	1,750,000 (L)	50%



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 1,750,000 shares held by SYH Investments Limited under SFO.
3. 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 2012.

During the six months ended 30 June 2012, there were no debt securities issued by the Group and the Company at any time.

As at 30 June 2012, 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 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 AND DEBENTURES OF THE COMPANY

As at 30 June 2012, so far as is known to the Directors, the following persons, not being Directors or the chief executive of the Company had, or were deemed to have, interests or short positions in the shares or underlying shares 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 member of the Group:

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. Jerry Denny Strickland Jr.	Beneficial owner	1,750,000 (L)	50%
SYH Investments Limited	Beneficial owner	1,750,000 (L)	50%

Note:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.

For the six months ended 30 June 2012, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 30 June 2012, the Directors were not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interests or short positions in the Shares 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.



CONTRACT OF SIGNIFICANCE

At 30 June 2012, 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 2012, the Directors were not aware of any business or interest of the Directors or the controlling shareholders 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 2012.

INTERESTS OF THE COMPLIANCE ADVISERS

As notified by WAG Worldsec Corporate Finance Limited ("WAG"), the Company's compliance adviser, neither WAG nor its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2012.

Pursuant to the agreement dated 10 July 2012 entered into between WAG and the Company, WAG received and will receive fees for acting as the Company's compliance adviser.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, 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. 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 interim financial information of the Company for the six months ended 30 June 2012 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, 13 August 2012

As at the date of this report, the executive Directors are Mr. Leung Yuen Ho Simon and Mr. Jerry Denny Strickland Jr.; and the independent non-executive Directors are Mr. Hau Chi Hung, Mr. Lai Kin Jerome, and Mr. Tang Thomas Bong.