

A large, stylized graphic of the year '2016'. The digits are composed of various colored geometric shapes (triangles, squares, polygons) in shades of purple, blue, green, yellow, orange, and red, creating a mosaic effect.

China Baofeng (International) Limited
中國寶豐（國際）有限公司

(formerly known as Mastercraft International Holdings Limited)
(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3966

Interim Report



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CHINA BAOFENG (INTERNATIONAL) LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Baofeng (International) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 2 to 17, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material aspects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	206,703	181,638
Cost of sales		(171,973)	(145,170)
Gross profit		34,730	36,468
Other income	4	734	36
Selling expenses		(11,639)	(10,688)
Administrative expenses		(19,739)	(11,594)
Research and development expenses		(2,803)	(2,850)
Profit before taxation	5	1,283	11,372
Income tax expense	6	(2,685)	(2,235)
(Loss) profit for the period		(1,402)	9,137
Other comprehensive (expense) income for the period			
Exchange differences arising on translation of foreign operations		(2,322)	48
Total comprehensive (expense) income for the period		(3,724)	9,185
(Loss) earnings per share – Basic	8	(0.28) HK cents	1.90 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	29,765	4,890
Rental deposit		2,052	–
Deferred tax assets		1,435	1,175
Intangible asset		709	756
		33,961	6,821
Current assets			
Inventories	10	35,310	31,089
Trade and other receivables	11	151,666	84,391
Prepaid rental expenses for photovoltaic facilities		102,800	–
Tax recoverable		–	322
Bank balances and cash		31,954	19,992
		321,730	135,794
Current liabilities			
Trade and other payables	12	76,080	52,414
Provision	13	6,903	4,476
Amount due to a related company		–	238
Tax payable		810	–
Bank borrowing	14	130,000	–
		213,793	57,128
Net current assets		107,937	78,666
Total assets less current liabilities		141,898	85,487
Non-current liability			
Deferred tax liabilities		99	3
Net assets		141,799	85,484
Share capital and reserves			
Share capital	15	5,052	4,800
Reserves		136,747	80,684
Total equity		141,799	85,484

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note)	Translation reserve HK\$'000	Retained profits hk\$'000	Total HK\$'000
At 1 January 2015 (audited)	4,800	32,523	(1)	(132)	49,040	86,230
Profit for the period	-	-	-	-	9,137	9,137
Exchange differences arising on translation of foreign operations	-	-	-	48	-	48
Total comprehensive income for the period	-	-	-	48	9,137	9,185
Dividend paid	-	-	-	-	(15,840)	(15,840)
At 30 June 2015 (unaudited)	4,800	32,523	(1)	(84)	42,337	79,575
At 1 January 2016 (audited)	4,800	32,523	(1)	530	47,632	85,484
Loss for the period	-	-	-	-	(1,402)	(1,402)
Exchange differences arising on translation of foreign operations	-	-	-	(2,322)	-	(2,322)
Total comprehensive expense for the period	-	-	-	(2,322)	(1,402)	(3,724)
Issue of shares	252	60,480	-	-	-	60,732
Share issue expenses	-	(693)	-	-	-	(693)
At 30 June 2016 (unaudited)	5,052	92,310	(1)	(1,792)	46,230	141,799

Note: Special reserve represents the reserve arising from group reorganisation in 2012.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash from operating activities	5,878	22,890
Investing activities		
Payment of rental expenses for photovoltaic facilities	(105,300)	–
Payments for photovoltaic facilities provider	(49,491)	–
Purchase of property, plant and equipment	(23,263)	(621)
Prepayment for acquisition of property, plant and equipment	(5,884)	–
Interest received	15	28
Net cash used in investing activities	(183,923)	(593)
Financing activities		
New bank borrowing raised	130,000	–
Net proceeds from issue of shares	60,039	–
Dividends paid	–	(15,840)
Cash from (used in) financing activities	190,039	(15,840)
Net increase in cash and cash equivalents	11,994	6,457
Cash and cash equivalents at beginning of the period	19,992	21,758
Effect of foreign exchange rate changes	(32)	7
Cash and cash equivalents at the end of the period	31,954	28,222

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 3 August 2011. Its shares were listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 July 2012, and the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange on 5 August 2015. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the address of the principal place of business is Unit 503, 5th Floor, Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Hong Kong. Prior to completion of the transactions under the sale and purchase agreement dated 8 January 2016 which led to the unconditional mandatory general offer closed on 19 February 2016, SYH Investments Limited and Mr. Jerry Denny Strickland Jr., an executive Director of the Company until 19 February 2016, each held 37.5% of the entire issued share capital of the Company (75% in aggregate). SYH Investments Limited was a company incorporated in the British Virgin Islands and was wholly-owned by Mr. Leung Yuen Ho, Simon, an executive Director who was also the chief executive of the Company until 19 February 2016. SYH Investments Limited and Mr. Jerry Denny Strickland Jr. disposed of their 360,000,000 shares in aggregate, representing 75% of the entire issued share capital of the Company on the close of the offer on 19 February 2016, to Fung Teng Enterprises Limited, which is wholly-owned by Mr. Dang Yanbao. With effect from 12 May 2016, the Company has changed its name from "Mastercraft International Holdings Limited 馬仕達國際控股有限公司" to "China Baofeng (International) Limited 中國寶豐(國際)有限公司".

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

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\$"). 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 been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

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

In the current interim period, the Company and its subsidiaries (collectively referred as the "Group") have applied, for the first time, certain revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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.

The Group was previously organised into three operating segments, namely "Portable lighting", "Shades" and "Furniture set and other home accessory products". These segments were the basis on which the Group reported its segment information. During the period, the executive directors of the Company reviewed separately the financial results of photovoltaic electricity which was not previously reported under any segments.

Accordingly, 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").
- (iv) Photovoltaic electricity represents sale of photovoltaic electricity generated by solar farms and power station ("Photovoltaic electricity").

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment.

For the six months ended 30 June 2016 (unaudited)

	Portable lighting HK\$'000	Shades HK\$'000	Furniture set and other home accessory products HK\$'000	Photovoltaic electricity HK\$'000	Total HK\$'000
SEGMENT REVENUE					
External sales	156,585	36,819	13,299	–	206,703
Segment profit (loss)	24,621	7,992	2,117	(280)	34,450
Unallocated income					726
Unallocated expenses					
– Selling expenses					(11,639)
– Administration expenses					(19,451)
– Research and development expenses					(2,803)
Profit before taxation					1,283

For the six months ended 30 June 2015 (unaudited)

	Portable lighting HK\$'000	Shades HK\$'000	Furniture set and other home accessory products HK\$'000	Photovoltaic electricity 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 taxation					11,372

Segment profit represents the gross profit earned by each segment and hence is arrived at 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"), USA and Canada.

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
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong	–	–	3,959	1,305
PRC	–	–	26,785	1,862
USA	202,907	177,028	1,782	2,479
Canada	3,796	4,610	–	–
Total revenue/non-current assets	206,703	181,638	32,526	5,646

Information about major customers

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

	Six months ended	
	30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A (Note)	78,682	75,202
Customer B (Note)	69,568	49,716

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

4. OTHER INCOME

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Exchange gain	597	–
Interest income	15	28
Sundry income	122	8
	734	36

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)

Profit before taxation has been arrived at after charging:

Staff costs, including directors' remuneration		
Salaries, wages and other benefits	18,821	14,968
Retirement benefits scheme contributions	452	440
	19,273	15,408
Amortisation of intangible asset	47	48
Auditor's remuneration	450	400
Cost of inventories recognised as expenses	168,310	142,413
Depreciation of property, plant and equipment	830	817
Net foreign exchange loss	144	119
Operating lease rentals	3,530	2,940
Research expenditures, including staff costs of HK\$1,476,000 (for the six months ended 30 June 2015: HK\$1,278,000)	2,803	2,850
and after crediting:		
Interest income	15	28

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current taxation:		
– Hong Kong Profits Tax	2,724	2,299
– PRC Enterprise Income Tax ("EIT")	125	–
	2,849	2,299
Deferred taxation	(164)	(64)
Total	2,685	2,235

The Company and the subsidiaries operating in Hong Kong are subject to Hong Kong Profits Tax at a tax rate of 16.5% on assessable profits earned in Hong Kong for both periods.

Taxation on overseas profits has been calculated on the estimated assessable profits for both periods at the rates of taxation prevailing in the relevant jurisdictions. In addition, certain subsidiaries of the Group are subject to PRC EIT at a rate of 25% on the profit generated in the PRC.

7. DIVIDEND

The directors do not recommend payment of any dividend for the six months ended 30 June 2016 (For the six months ended 30 June 2015: nil).

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the (loss) profit for the period attributable to owners of the Company of HK\$(1,402,000) (For the six months ended 30 June 2015: HK\$9,137,000) and the weighted average number of 494,677,000 (2015: 480,000,000) ordinary shares of the Company.

No diluted earnings per share is presented as there were no potential ordinary shares in issue during both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred expenditure of HK\$1,168,000 (For the six months ended 30 June 2015: HK\$621,000) to acquire property, plant and equipment for the business of Portable Lighting, Shades and Furniture set and other home accessory products. In addition, the Group incurred expenditure of HK\$22,095,000 (For the six months ended 30 June 2015: nil) for setting up the operation facilities including solar farms and power station for its photovoltaic electricity business in the PRC.

10. INVENTORIES

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Finished goods	35,310	31,089

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Trade receivables	94,524	83,455
Bill receivables	–	164
	94,524	83,619
Payments for photovoltaic facilities provider	49,491	–
Other receivables and prepayments	7,651	772
	151,666	84,391

Trade receivables and bill receivables are mainly arisen from sales of portable lighting, shades 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.

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
1 to 30 days	34,515	79,278
31 to 60 days	41,906	1,402
61 to 90 days	10,455	13
Over 90 days	7,648	2,926
	94,524	83,619

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines credit rating and limit for each customer. In addition, the Group has reviewed the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$9,127,000 (31 December 2015: HK\$9,777,000), which are past due for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Such receivables relate to a number of customers from which substantial subsequent settlements were made. The aging analysis of these trade receivables is as follows:

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Overdue by:		
1 to 30 days	1,752	6,877
31 to 60 days	714	15
61 to 90 days	2,040	17
Over 90 days	4,621	2,868
	9,127	9,777

12. TRADE AND OTHER PAYABLES

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Trade payables	56,504	45,190
Accruals sales commission	454	268
Other payables and accruals	19,122	6,956
	76,080	52,414

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 invoice date at the end of the period:

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
1 to 30 days	37,849	31,450
31 to 60 days	11,373	11,503
61 to 90 days	4,357	1,074
91 to 120 days	2,925	1,163
	56,504	45,190

13. PROVISION

The balance represents the provision of sales discounts and defective claims, and the movements of provision are as follow:

	HK\$'000
At 1 January 2015 (audited)	5,290
Charge to profit or loss	9,249
Utilisation of provision	<u>(10,063)</u>
At 31 December 2015 and 1 January 2016 (audited)	4,476
Charge to profit or loss	7,305
Utilisation of provision	<u>(4,878)</u>
At 30 June 2016 (unaudited)	<u>6,903</u>

There are no fixed terms of provision of sales discounts and defective claims stated in the sales agreements entered with customers. The amount of provision is based on the management's estimation by reference to the historical experience. The Group accrued liability for potential sales discounts and defective claims at the time of sale to cover potential liabilities that could arise under these sales transactions.

14. BANK BORROWING

During the period, the Group obtained a new bank borrowing denominated in HK\$ in the amount of HK\$130,000,000 (For the six months ended 30 June 2015: nil). The new bank borrowing bears interest at Hong Kong Interbank Offered Rate plus 3% per annum and is repayable within one year with a repayable on demand clause. No repayment of bank borrowing was noted for both periods.

15. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	800,000,000	<u>8,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 January 2015, 30 June 2015 and 1 January 2016	480,000,000	4,800
Issue of ordinary shares (note)	<u>25,200,000</u>	<u>252</u>
At 30 June 2016 (unaudited)	<u>505,200,000</u>	<u>5,052</u>

Note: During the period, an aggregate of 25,200,000 ordinary shares with par value of HK\$0.01 per share of the Company, have been placed at the price of HK\$2.41. Some placees may be the existing public shareholders (holding less than 5% of the existing issued share capital of the Company). The shares issued rank pari passu in all respects among themselves and with the existing issued shares. The directors intend to use the net proceeds to finance the strategic diversification in photovoltaic electricity business, and as general working capital for existing operation of the Group.

16. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during both periods:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Commission expenses paid to a related company (note)	478	972
Rental expenses paid to a related company (note)	336	1,225

Note: These related companies were under control by a director of the Company, Mr. Jerry Denny Strickland Jr. Upon the resignation of Mr. Jerry Denny Strickland Jr. as director of the Company effective from 19 February 2016, these entities are no longer related companies to the Group.

Key management personnel include directors of the Company and other senior management of the Group. The remuneration paid or payable during both periods are as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short-term benefits	3,194	1,697
Post-employment benefits	38	36
	3,232	1,733

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

17. OPERATING LEASE COMMITMENTS

The Group had future aggregate minimum lease payables under non-cancellable operating leases in respect of staff quarters and office premises as follows:

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Within one year	9,167	4,012
In the second to fifth years inclusive	14,468	1,816
	23,635	5,828

Operating lease payments represent rentals payable by the Group for certain of its staff quarters and office premises. Leases are negotiated and rental are fixed for lease terms of one to three years.

Note: During the period, the Group entered into a lease agreement for photovoltaic facilities of RMB90,000,000 (equivalent to approximately HK\$105,300,000) for one year and this amount was paid in advance. The lease will be negotiated and renewed on annual basis.

18. CAPITAL COMMITMENTS

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for	7,932	693

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, China Baofeng (International) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) was 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 2016, which contributed to approximately 78.4% (2015: 75.9%) 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 2016 was approximately HK\$156.6 million, HK\$36.8 million and HK\$13.3 million (2015: HK\$133.3 million, HK\$36.7 million and HK\$11.6 million) respectively. Portable lighting remained as the Group’s significant revenue stream. During the period under review, portable lighting and shades contributed to approximately 75.8% and 17.8% (2015: 73.4% and 20.2%) of the Group’s revenue, respectively. The gross profit margin of portable lighting, shades and furniture set and other home accessory products decreased from 17.6% to 15.7%, 27.1% to 21.7% and 26.3% to 15.9%, respectively.

While exploring potential strategic diversification opportunities in clean energy in order to reverse the declining trend of profitability of the Group and fuel business growth of the Group, the Directors and management are continuously closely monitoring the product margin of our existing business. During the reporting period, the Group’s participation in the photovoltaic project in Yinchuan City, Ningxia Hui Autonomous Region has made progress, through an indirectly wholly owned subsidiary of the Company. On 30 June 2016, the subsidiary has received a notice for on-grid trial from Ningxia branch company of the State Grid Corporation of China, in respect of photovoltaic power generation project with a capacity of 390MWp.

Financial Review

With continuing support and trust gained from our strong customer base in North America, the revenue of the Group increased by approximately HK\$25.1 million or 13.8% from approximately HK\$181.6 million for the six months ended 30 June 2015 to HK\$206.7 million for the six months ended 30 June 2016.

With the increase in cost of lighting and home furnishing products from the independent contract manufacturers in the PRC, the total cost of sales of the Group increased by approximately HK\$27.0 million or 18.6% from HK\$145.2 million to HK\$172.2 million. Therefore, as a result, the gross profit of the Group decreased by approximately HK\$2.0 million or 5.5% from approximately HK\$36.5 million to HK\$34.5 million. The gross margin dropped from 20.1% to 16.8%.

During the reporting period, the total operating cost increased to approximately HK\$34.2 million, representing an increase of HK\$9.1 million or 36.3% from HK\$25.1 million for the six months ended 30 June 2015, representing 16.5% and 13.8% of the revenue for the six months ended 30 June 2016 and 2015, respectively. The increase in administrative expenses was attributable mainly to increase in expenses in developing new business and professional fees in relation to placing of new shares as disclosed in the announcements of the Company dated 17 March, 21 March and 8 April of 2016 and other compliance services.

Loss attributable to owners of the Company was approximately HK\$1.4 million for the six months ended 30 June 2016, dropped from approximately HK\$9.1 million profit for the six months ended 30 June 2015 by HK\$10.5 million or 115.4%. The Group's net profit margin also dropped from 5.0% for the six months ended 30 June 2015 to (0.7%) for the six months ended 30 June 2016. Earnings per share went down from HK1.90 cents per share for the six months ended 30 June 2015 to (HK0.28 cents) loss per share.

In the event that the business transformation would not been implemented successfully or that new profit growth opportunities could not be identified in a timely manner, the decline in profitability of the Group in the future may fail to be reverted.

Financial Position and Liquidity

As at 30 June 2016, cash and bank balances of the Group amounted to approximately HK\$32.0 million (As at 31 December 2015: HK\$20.0 million). The Group's current ratio (current asset divided by current liabilities) was 2.4 times and 1.5 times as at 31 December 2015 and 30 June 2016, 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, bank loan and the available banking facilities, the Board is confident that the Group will have sufficient resources to meet its financial needs for its existing operations. New fundings may be needed, however, to develop new businesses. As at 30 June 2016, the Group has unutilized general banking facilities amounting to HK\$125,000,000 (31 December 2015: 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, short-term bank loan and equity attributable to owners of the Group, comprising issued capital and reserves.

As at 30 June 2016, gearing ratio (short-term bank loan divided by total equity) was 91.7%. As there was no borrowing as at 31 December 2015, gearing ratio was not presented as being 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 2016, the Group employed total of 8 directors and 181 employees. Total staff costs, including Directors' emoluments, amounted to approximately HK\$19.3 million for the six months ended 30 June 2016 (2015: HK\$15.4 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 also provided discretionary bonus, medical insurance and provident fund to employees. 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 announcement, 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 centerpiece 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.

Looking forward to the home furnishing business, the global economic environment will continue to be uncertain. In order to stay competitive advantageous in home furnishing products market, the Group will continue to enhance its profile through participation in trade shows, events, exhibitions and fairs and expand its product portfolio to keep abreast of market trends. We are currently exploring opportunities and conducting feasibility study with the online sales market and platform in China and we are also approaching potential customers in Australia. The Group will continue to uphold its proven track record and reputation of delivering on time consistent and high quality products by optimising the quality control system and performing stringent quality control measures in every area of operations.



The Group will continue to explore potential strategic diversification opportunities in clean energy projects in photovoltaics, specifically, the construction and operation of solar energy facilities, and energy related deals, an area which the PRC government is actively supporting and promoting. Participation in the photovoltaic project will enhance the Group's business diversification, help reverse the declining trend of profitability of the Group and fuel business growth of the Group in the Group's process of identifying opportunities for the benefit of the shareholders as a whole.

Contingent Liabilities

As at 30 June 2016 and 31 December 2015, the Group did not have any contingent liabilities.

Significant Investments

The group has commenced the development of photovoltaic plant facility in Yinchuan, Ning Xia. The Group did not have any other significant investments during the six months period ended 30 June 2016.

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 30 June 2016 and 31 December 2015.

Material Acquisitions or Disposals

During the six months ended 30 June 2016 and year ended 31 December 2015, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Charges on Assets

As at 30 June 2016, the Group has general banking facilities of HK\$125,000,000 (31 December 2015: HK\$5,000,000) of which, HK\$5,000,000 banking facilities are secured by the Group's land and building, having carrying amount of approximately HK\$879,000 and HK\$920,000 as at 30 June 2016 and 31 December 2015, 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 Hong Kong dollar is pegged to U.S. dollar, the exposure to fluctuations in exchange rate of Hong Kong 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 2016, the Group's capital commitment amounted to approximately HK\$7.9 million. As at 31 December 2015, the Group did not have any significant capital commitment.

Use of Proceeds from Initial Public Offering

As to the proceeds from the Company's Initial Public Offering, 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 Company is 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 2016, the unutilized net proceeds were in the sum of approximately HK\$2.4 million. The Group will review its business strategy more actively from time to time and apply the unutilized net proceeds to conduct feasibility studies in the future as and when the new 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. Should there be any change in the use of proceeds, further announcement will be made by the Company. The balance of unutilized net proceeds as at 30 June 2016 had been placed in interest bearing deposits at banks in

OTHER EVENTS

CHANGE OF CONTROLLING SHAREHOLDER AND MANDATORY UNCONDITIONAL CASH OFFER

On 8 January 2016, SYH Investments Limited, Mr. Jerry Denny Strickland Jr. (as vendors), Mr. Leung Yuen Ho, Simon (as guarantor of SYH Investments Limited) entered into an agreement ("Sale and Purchase Agreement") with Fung Teng Enterprises Limited ("Fung Teng Enterprises", a company wholly owned by Mr. Dang Yanbao), pursuant to which Fung Teng Enterprises acquired 360,000,000 Shares (representing 75% of the issued share capital of the Company at the relevant time) at a cash consideration of HK\$1.50 per share (i.e. HK\$540,000,000 in aggregate). Following the completion of the Sale and Purchase Agreement on 8 January 2016, Fung Teng Enterprises became interested in 360,000,000 shares. Fung Teng Enterprises made an unconditional mandatory cash offer ("Offer") to acquire all the issued shares of the Company not already owned and/or agreed to be acquired by it or parties acting in concert with it at a price of HK\$1.50 per share. The Offer closed on 19 February 2016.

Please also refer to the announcement of the Company dated 11 January 2016, the composite document issued by the Company and Fung Teng Enterprises on 29 January 2016, and the announcement of the Company dated 19 February 2016.

CHANGE OF COMPANY NAME

The name of the Company has been changed from “Mastercraft International Holdings Limited 馬仕達國際控股有限公司” to “China Baofeng (International) Limited 中國寶豐(國際)有限公司” with effect from 12 May 2016 with the approval of, among others, the shareholders at the extraordinary general meeting held on 10 May 2016. The stock short names of the Company has also been changed to “CH BAOFENG INTL” and “中國寶豐國際” with effect from 9:00 a.m. on 10 June 2016.

The new website of the Company (www.baofengintl.com) has been launched on 18 July 2016.

CHANGE OF DIRECTORS AND COMPANY SECRETARY

During the six months ended 30 June 2016, Mr. Dang Yanbao, Mr. Liu Yuanguan, Mr. Gao Jianjun and Mr. Dang Zidong were appointed as executive Directors, Mr. Cheng Hoo was appointed as non-executive Director, and Mr. Xia Zuoquan, Dr. Tyen Kan Hee, Anthony and Mr. Guo Xuewen were appointed as independent non-executive Directors. Each of them has retired and was re-appointed by the shareholders of the Company at the annual general meeting of the Company held on 10 May 2016.

Due to a change in control of the Company after the close of the Mandatory Unconditional Cash Offer, on 19 February 2016, Mr. Leung Yuen Ho, Simon, Mr. Jerry Denny Strickland Jr., Mr. Wong Shuk Fong resigned as executive Directors, and Mr. Hau Chi Hung, Mr. Lai Kin, Jerome and Mr. Tang Thomas Bong resigned as independent non-executive Directors.

Ms. Lo Yuen Yee has been appointed as the company secretary of the Company with effect from 29 February 2016 in place of Ms. Wong Shuk Fong.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 17 March 2016, the Company and GF Securities (Hong Kong) Brokerage Limited (the “Placing Agent”) entered into a placing agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, ordinary shares of the Company to not fewer than six placees who and whose ultimate beneficial owners would be third parties independent of the Company and not connected nor acting in concert with any of the connected persons of the Company or any of their respective associates at the placing price of HK\$2.41 per share. The Company intended to issue not more than 25,200,000 ordinary shares under the placing.

The placing price of HK\$2.41 per placing share represents: (i) a discount of approximately 19.67% to the closing price of HK\$3.00 per share as quoted on the Stock Exchange on 16 March 2016, being the last trading day preceding the entering into of the placing agreement; and (ii) a discount of approximately 16.03% to the average closing price of HK\$2.87 per share in the last five consecutive trading days immediately prior to 16 March 2016, being the last trading day preceding the entering into of the placing agreement.

The placing was completed on 30 March 2016 and 25,200,000 shares were placed, the gross proceeds from the placing amounted to HK\$60,732,000 and the net proceeds for the placing amounted to approximately HK\$60,039,000. The net price of each placing share is approximately HK\$2.38. The aggregate nominal value of the placing shares is HK\$252,000. The proceeds of the placing have been applied in the following manners: (i) approximately HK\$47,671,000 was used in the development and operation of photovoltaic facilities in Yinchuan City, Ning Xia and (ii) approximately HK\$12,368,000 was used as general working capital for existing operation of the Group, including without limitation, establishment of headquarter in Hong Kong, procurement of more professional services, employment of more professional staff and etc.

The Board is of the view that the placing can strengthen the financial position of the Group and provide funding to the Group to meet any future development opportunities and obligations. The placing also represents good opportunities to broaden the shareholders' base and the capital base of the Company. Please also refer to the announcements of the Company dated 17 March 2016 and 21 March 2016 for details of the placing.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

The Hong Kong Branch Share Registrar and Transfer Office of the Company, Union Registrars Limited, has changed its address to Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, with effect from 5 April 2016.

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 Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the six months ended 30 June 2016 except for the following.

Under code provision E.1.2., the chairman of the Remuneration Committee should attend the annual general meeting. Mr. Guo Xuwen, being the chairman of the Remuneration Committee, failed to attend to the annual general meeting held on 10 May 2016 due to other business commitments. The chairman of the Board has invited another member of the Remuneration Committee, Mr. Xia Zuoquan, to attend the annual general meeting held on 10 May 2016.

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

During the six months ended 30 June 2016, the Group adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon specific enquiry, each Director confirmed that during the six months ended 30 June 2016, he had fully complied with the required standard of dealings and there was no event of non-compliance.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

Save as disclosed below, as at 30 June 2016, 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 ("Shares"), underlying shares or debentures of the Company or shares, underlying shares or debentures of any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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 the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules.

LONG POSITIONS IN THE SHARES

Name of Director	Capacity and nature of interest	Number of Shares	Percentage of the Company's issued share capital <i>(approximate)</i>
Dang Yanbao	Interest of controlled corporation	360,000,000	71.26%

LONG POSITION IN SHARES IN ASSOCIATED CORPORATIONS

Name of Director	Name of associated corporation	Capacity and nature of interest	Number of share(s)	Percentage of the Company's issued share capital
Dang Yanbao	Fung Teng Enterprises Limited ("Fung Teng Enterprises")	Beneficial owner	1	100%

Note: As at 30 June 2016, Fung Teng Enterprises held 360,000,000 Shares. Mr. Dang Yanbao is the sole shareholder and sole director of Fung Teng Enterprises. As such, Mr. Dang Yanbao is deemed to be interested in all the 360,000,000 Shares in which Fung Teng Enterprises is interested by virtue of the SFO.

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

Save as disclosed below, as at 30 June 2016, the Directors were not aware of any other person who had, or was 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 other member of the Group or options in respect of such share capital.

LONG POSITIONS IN THE SHARES

Name of Shareholder	Capacity and nature of interest	Number of Shares	Percentage of the Company's issued share capital (approximate)
Fung Teng Enterprises	Beneficial owner	360,000,000	71.26%

CONTRACT OF SIGNIFICANCE

At 30 June 2016, 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 2016, 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 2016.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections “Share Option Scheme” above, at no time during the six months ended 30 June 2016 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 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 2016, 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 in compliance with the Listing Rules. In light of the transfer of listing of its shares to the Main Board of the Stock Exchange, and in line with the general practice of companies listed on the Main Board, the Board has adopted a revised terms of reference of the Audit Committee to allow the Audit Committee to hold at least two meetings, instead of four meetings, for each financial year. 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 Dr. Tyen Kan Hee, Anthony (chairman of the audit committee), Mr. Xia Zuoquan and Mr. Guo Xuewen.

The unaudited condensed financial statements of the Company for the six months ended 30 June 2016 has been reviewed by the audit committee. Deloitte Touche Tohmatsu, the Group’s external auditor, has carried out a review of the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2016, which is prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
China Baofeng (International) Limited
Dang Yanbao
Chairman and Executive Director

Hong Kong, 15 August 2016