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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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.

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2013 amounted to HK$353,057,000, representing an increase of 6.6 % as compared with the previous year.

- Gross profit of the Group for the year ended 31 December 2013 amounted to HK$76,297,000, representing an increase of 11.4 % as compared with the previous year.

- In the absence of listing expenses which had been accounted for in the previous year, profit attributable to the owners of the Company for the year ended 31 December 2013 was HK$21,237,000, representing an increase of 48.5 % as compared with the previous year.

- The earnings per share for the year ended 31 December 2013 was HK 4.42 cents (2012: HK 3.45 cents).

- The Board recommends the payment of final dividend of HK3 cents per ordinary share in respect of the year ended 31 December 2013 (2012: HK2 cents per ordinary share).

The board (the "Board") of directors (the "Directors") of Mastercraft International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	5	353,057	331,338
Cost of sales		(276,760)	(262,860)
Gross profit		76,297	68,478
Other income		115	63
Selling expenses		(18,714)	(17,871)
Administrative expenses		(23,760)	(21,145)
Research and Development expenses		(6,378)	(5,550)
Listing expenses		-	(5,611)
Finance cost	6	(2)	(2)
Profit before taxation	7	27,558	18,362
Income tax expense	8	(6,321)	(4,058)
Profit for the year		21,237	14,304
Other comprehensive expense:			
Exchange differences arising on translating foreign operation		(66)	(50)
Total comprehensive income for the year		21,171	14,254
Earnings per share HK cents - Basic	10	4.42cents	3.45cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	2013	2012
		HK$'000	HK$'000
Non-current Assets			
Property, plant and equipment		5,278	2,798
Deferred tax assets		1,009	1,258
Intangible asset		950	-
		7,237	4,056
Current Assets			
Inventories		22,724	29,617
Trade and other receivables	11	80,218	82,715
Tax recoverable		402	-
Bank balances and cash		25,398	20,604
		128,742	132,936
Current Liabilities			
Trade and other payables	12	52,358	60,863
Provision		4,624	8,029
Amount due to a related company		219	653
Tax payable		1,664	1,834
Bank overdraft		-	5
		58,865	71,384
Net Current Assets		69,877	61,552
Total Assets less Current Liabilities		77,114	65,608
Non-current Liability			
Deferred tax liabilities		116	181
Net assets		76,998	65,427
Capital and Reserves			
Share capital		4,800	4,800
Reserves		72,198	60,627
Total Equity		76,998	65,427

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012	349	-	-	(16)	13,867	14,200
Profit for the year	-	-	-	-	14,304	14,304
Other comprehensive expense for the year	-	-	-	(50)	-	(50)
Total comprehensive (expense) income for the year	-	-	-	(50)	14,304	14,254
Arising on group reorganisation	1	-	(1)	-	-	-
Issuance of new shares by way of placing of shares	1,200	40,800	-	-	-	42,000
Share issue expenses	-	(5,027)	-	-	-	(5,027)
Capitalisation issue	3,250	(3,250)	-	-	-	-
At 31 December 2012 and 1 January 2013	4,800	32,523	(1)	(66)	28,171	65,427
Profit for the year	-	-	-	-	21,237	21,237
Other comprehensive expense for the year	-	-	-	(66)	-	(66)
Total comprehensive (expense) income for the year	-	-	-	(66)	21,237	21,171
Dividend recognised as distribution	-	-	-	-	(9,600)	(9,600)
At 31 December 2013	4,800	32,523	(1)	(132)	39,808	76,998

1. GENERAL

The Company was incorporated in the Cayman Islands on 3 August 2011 and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 July 2012. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111, Caymans 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, Kowloon, Hong Kong.

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

The 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 in view of the place of the Company's shares is listed in Hong Kong.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange, the Company became the holding company of the Group on 20 June 2012. Details of the Group Reorganisation are as set out in "History, Development and Reorganisation" of the prospectus issued by the Company dated 10 July 2012.

The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. The Group was under the common control of Mr. Jerry Strickland and Mr. Leung Yuen Ho, Simon.

The financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting under Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity of the Group for the year ended 31 December 2012 have been prepared as if the group structure upon completion of Group Reorganisation had been in existence as at 1 January 2012, or since their respective dates of incorporation or establishment, where this is a shorter period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) - INT 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKFRS 11 "Joint arrangements", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures" are not applicable to the Group.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT - 12 "Consolidation - Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the initial application of HKFRS 10 has no material impact on the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) - INT 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

5. REVENUE AND 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 represents the knockdown furniture and ready-to-assemble furniture sets that are sold unassembled, and be put together by the end-customers ("Furniture set and other home accessory products").*

Segment revenues and results

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

For the year ended 31 December 2013

	Portable lighting HK$'000	Shades HK$'000	Furniture set and other home accessory products HK$'000	Total HK$'000
SEGMENT REVENUE				
External sales	252,848	72,472	27,737	353,057
Segment profit	48,799	19,448	8,050	76,297
Unallocated income				115
Unallocated expenses				
- Selling expenses				(18,714)
- Administration expenses				(23,760)
- Research and development expenses				(6,378)
- Finance cost				(2)
Profit before taxation				27,558

For the year ended 31 December 2012

	Portable lighting HK$'000	Shades HK$'000	Furniture set and other home accessory products HK$'000	Total HK$'000
SEGMENT REVENUE				
External sales	231,714	80,315	19,309	331,338
Segment profit	43,604	19,717	5,157	68,478
Unallocated income				63
Unallocated expenses				
- Selling expenses				(17,871)
- Administration expenses				(21,145)
- Research and development expenses				(5,550)
- Listing expenses				(5,611)
- Finance cost				(2)
Profit before taxation				18,362

Segment profit represents the profit earned by each segment without allocation of certain income and expenses (including other income, selling expenses, administration expenses, research and development expenses, listing expenses and finance cost). 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)	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Hong Kong (place of domicile)	-	-	2,088	2,592
PRC	-	-	3,030	110
USA	334,546	323,305	1,110	96
Canada	17,956	7,083	-	-
Others	555	950	-	-
Total revenue/non-current assets	353,057	331,338	6,228	2,798

Information about major customers

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

	2013 HK$'000	2012 HK$'000
Customer A *(Note)*	95,587	85,249
Customer B *(Note)*	149,027	129,111
Customer C *(Note)*	N/A	43,537

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

6. FINANCE COST

	2013 HK$'000	2012 HK$'000
Interest expenses on bank overdraft	2	2

7. PROFIT BEFORE TAXATION

	2013 HK$'000	2012 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	25,989	22,821
Retirement benefits scheme contributions	785	691
	26,774	23,512
Less: amount included in research and development expenses	(3,438)	(2,877)
	23,336	20,635
Auditor's remuneration	799	783
Amortisation of intangible asset	16	-
Cost of inventories recognised as expenses	262,268	257,777
Depreciation of property, plant and equipment	989	638
Loss on disposal of property, plant and equipment	33	-
Net foreign exchange loss	265	41
Write-off of inventories	-	128
Interest income	(85)	(20)

8. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current taxation:		
- Hong Kong Profits Tax	4,720	4,359
- Overseas taxation	467	257
	5,187	4,616
Under(over)provision in prior years		
- Hong Kong Profits Tax	7	(19)
- Overseas taxation	943	(18)
	950	(37)
Deferred taxation	184	(521)
	6,321	4,058

The Company and the subsidiaries operating in Hong Kong are subject to Hong Kong Profits Tax at a tax rate of 16.5% (2012: 16.5%) on assessable profits earned in Hong Kong.

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

9. DIVIDEND

A final dividend for the year ended 31 December of 2012 of HK2 cents per ordinary share (equivalent to HK$9,600,000) was approved by the shareholders in the annual general meeting on 6 May 2013 and paid.

Subsequent to the end of the reporting period, the Board recommends a final dividend of HK3 cents per ordinary share in respect of the year ended 31 December 2013, which is subject to approval at the forthcoming annual general meeting of the Company to be held on 9 May 2014.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average of 480,000,000 ordinary shares (2012: 414,098,361) of the Company.

No diluted earnings per share is presented as there were no potential ordinary shares in issue during the years ended 31 December 2013 and 2012.

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	HK$'000
Trade receivables	76,258	77,453
Bill receivables	2,640	3,114
	78,898	80,567
Other receivables and prepayment	1,320	2,148
	80,218	82,715

Trade and bill 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.

	2013	2012
	HK$'000	HK$'000
1 to 30 days	28,939	35,254
31 to 60 days	30,217	34,519
61 to 90 days	15,016	10,523
Over 90 days	4,726	271
	78,898	80,567

Before accepting any new customer, the Group has assessed 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 approximately HK$31,174,000 (2012: HK$20,045,000), which are past due for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired:

	2013	2012
	HK$'000	HK$'000
Overdue by:		
1 to 30 days	24,735	14,585
31 to 60 days	4,847	4,298
61 to 90 days	897	980
Over 90 days	695	182
	31,174	20,045

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Trade payables	44,794	50,200
Accrued sales commission	978	780
Other payables and accruals	6,586	9,883
	52,358	60,863

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 the reporting period:

	2013	2012
	HK$'000	HK$'000
1 to 30 days	22,099	32,010
31 to 60 days	20,371	16,390
61 to 90 days	2,102	1,465
Over 90 days	222	335
	44,794	50,200

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the design and sale of portable lighting, shades and furniture set and other home accessory products, the manufacture of which is outsourced to independent contract manufacturers in 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 year ended 31 December 2013, which contributed to approximately 79.7% (2012: 79.8%) of the Group's total revenue.

The Group's revenue from the sale of portable lighting, shades and furniture set and other home accessory products for the year ended 31 December 2013 was approximately HK$252.9 million, HK$72.5 million and HK$27.7 million (2012: HK$231.7 million, HK$80.3 million and HK$19.3 million), respectively. Portable lighting products remained as the Group's most significant revenue stream. During the year, portable lighting products and shades contributed to approximately 71.6% and 20.5% (2012: 69.9% and 24.2%) of the Group's revenue, respectively. The Directors and management are continuously monitoring the profit margin in order to enhance the shareholders' interest. The gross profit margin of portable lighting products, shades and furniture set and other home accessory products increased from 18.8% to 19.3%, 24.5% to 26.8% and 26.7% to 29.0%, respectively, from the year ended 31 December 2012 to the corresponding periods in 2013.

Financial Review

With the support and trust gained from our strong customer base in North America, the revenue of the Group steadily increased by approximately 6.6% from approximately HK$331.3 million for the year ended 31 December 2012 to HK$353.1 million for the year ended 31 December 2013.

Cost of sales of the Group increased by approximately 5.3% from HK$262.9 million for the year ended 31 December 2012 to HK$276.8 million for the year ended 31 December 2013. As a result of the foregoing, the gross profit of the Group increased by 11.4%, from approximately HK$68.5 million for the year ended 31 December 2012 to HK$76.3 million for the year ended 31 December 2013. The gross profit margin was 20.7% and 21.6% for year ended 31 December 2012 and 2013, respectively. During the year, the total operation cost (research and development, selling and administrative expenses) amounted to approximately HK$48.9 million, representing 13.8% of the Group's total revenue (2012: HK$44.6 million, representing 13.5% of the Group's total revenue). The operating cost has increased by approximately HK$4.3 million, of which HK$3.3 million increased was in respect of staff cost, HK$0.7 million was in respect of compliance adviser fee and HK$0.3 million was in respect of general administrative expenses.

In the absence of listing expenses which had been accounted for in the previous year, profit attributable to owners of the Company increased by approximately 48.5% from approximately HK$14.3 million in the year ended 31 December 2012 to approximately HK$21.2 million in the year ended 31 December 2013. The Group's net profit margin improved from 4.3% to 6.0% for the corresponding periods. Earnings per share increased from HK3.45 cents to HK4.42 cents.

Financial position and liquidity
As at 31 December 2013, cash and bank balances of the Group amounted to approximately HK$25.4 million (As at 31 December 2012: HK$20.6 million). The Group's current ratio (current asset divided by current liabilities) was 1.9 and 2.2 times as at 31 December 2012 and 2013, 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 at 31 December 2013, the Group has unutilized general banking facilities of HK$5,000,000 (2012: HK$5,000,000).

Dividend
The board of Directors of the Company (the "Board") recommends a final dividend of HK3 cents per ordinary share (2012:HK2 cents per ordinary share) in respect of the year ended 31 December 2013, which is subject to approval at the forthcoming annual general meeting of the Company to be held on 9 May 2014.

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.

The Directors of the Company review the capital structure regularly, taking into account the cost of capital and the risks associated with the capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends and new capital injection.

Outlook
Product design and development plays a crucial role in the Group's business. The product development team creates and transforms ideas into products in order to meet customers' needs and to expand the product varieties offered to both existing and potential customers. The Group's new product development centre at Dongguan, Guangdong Province in the PRC has commenced business in March 2013 in order to strengthen and expand the design and development business. Introducing innovative new products is the centrepiece of our long term strategy. We continue to expand our product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage.

In November 2013, we have set up a new U.S. subsidiary, Couture Lamps Inc., to sell fashion and modern classic lighting and home furnishings products under our own brandname - "*Couture*". We have hired a creative director based in U.S. who is the in-charge of sales and product development of Couture's products.

With the growth in sales to furniture stores, the Group will continuously seek for expansion opportunities in this sector, where the Directors see the greatest potential growth in demand for the Group's products in the near future. The Group intends to continue outsourcing the entire production of its existing and future products in order to remain competitive. In order to tackle the increase in production costs and maintain profitability, the Group has started to look for potential and qualify contract manufacturers outside Dongguan. We have already started to engage some new contract manufacturers in Fuzhou and we might consider to set up a quality control team at Fuzhou in long run.

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 fair and expand its product portfolio to keep abreast of market trends. The Group will continue to uphold its proven track record and reputation of punctually delivering consistent and high quality products by optimising quality control system and performing stringent quality control measures in every area of operations.

Contingent Liabilities
As at the end of the reporting period, the Group did not have any significant contingent liabilities**.**

Significant Investments
As at the end of the reporting period, the Group did not have any significant investment plans.

Future Plans for Material Investments or Capital Assets
Save as disclosed in this annual report, there was no specific plan for material investments or capital assets as at 31 December 2012 and 2013.

Material Acquisitions or Disposals
During the years ended 31 December 2012 and 2013, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Charges on assets
As at 31 December 2012 and 2013, 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$1,148,000 and HK$1,072,000 as at 31 December 2012 and 2013, respectively.

Foreign exchange exposure
During the year, 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 31 December 2012 and 2013, the Group has capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements amounting to approximately HK$134,000.

CORPORATE GOVERNANCE REPORT

The Company endeavours 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 year ended 31 December 2013, except for the follow:

Under code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. Mr. Leung Yuen Ho, Simon, who acts as the chairman and the CEO 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 CEO. 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 CEO. 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 year ended 31 December 2013.

Compliance with the Required Standard of Dealings in Securities Transactions by Directors
During the year, 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 year ended 31 December 2013, he had fully complied with the required standard of dealings and there was no event of non-compliance.

Closure of register of members for 2014 annual general meeting

Book close dates for 2014 AGM (both days inclusive)	8 May 2014 to 9 May 2014
Latest time to lodge transfer documents with the Company's share registrar	7 May 2014, 4:00pm
Name and address of the Company's share registrar	Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

Record date for proposed final dividend

Book close dates for final dividend (both days inclusive)	16 May 2014 to 19 May 2014
Record date for proposed final dividend	19 May 2014
Latest time to lodge transfer documents with the Company's share registrar	15 May 2014, 4:00pm
Ex-dividend date	14 May 2014
Name and address of the Company's share registrar	Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
Expected payment date (if approved at 2014 AGM)	No later than 26 May 2014

Purchase, sales or redemption of listed securities
Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended December 2013.

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 consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2013 have been reviewed by the audit committee.

Scope of works of Messrs. Deloitte Touche Tohmatsu
The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 7 March 2014

As at the date of this announcement, 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.