



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 2014

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

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

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

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This 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 the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (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 2014 amounted to HK\$373,162,000, representing an increase of 5.7 % as compared with the previous year.
- Gross profit of the Group for the year ended 31 December 2014 amounted to HK\$82,977,000, representing an increase of 8.8 % as compared with the previous year.
- Profit attributable to the owners of the Company for the year ended 31 December 2014 was HK\$23,632,000, representing an increase of 11.3 % as compared with the previous year.
- The earnings per share for the year ended 31 December 2014 was HK4.92 cents (2013: HK4.42 cents).
- The Board recommends the payment of final dividend of HK3.3 cents per ordinary share of the Company in respect of the year ended 31 December 2014 (2013: HK3 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 2014 together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<u>Notes</u>	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Revenue	4	373,162	353,057
Cost of sales		(290,185)	(276,760)
Gross profit		<u>82,977</u>	<u>76,297</u>
Other income		284	115
Selling expenses		(23,006)	(18,714)
Administrative expenses		(23,741)	(23,760)
Research and Development expenses		(6,383)	(6,378)
Finance costs	5	<u>(1)</u>	<u>(2)</u>
Profit before taxation	6	30,130	27,558
Income tax expense	7	<u>(6,498)</u>	<u>(6,321)</u>
Profit for the year		<u>23,632</u>	<u>21,237</u>
Other comprehensive expense for the year:			
Exchange differences arising on translating foreign operation		-	(66)
Total comprehensive income for the year		<u>23,632</u>	<u>21,171</u>
Earnings per share HK cents - Basic	9	<u>4.92 cents</u>	<u>4.42 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	<u>Notes</u>	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Non-current Assets			
Property, plant and equipment		5,373	5,278
Deferred tax assets		1,193	1,009
Intangible asset		853	950
		<u>7,419</u>	<u>7,237</u>
Current Assets			
Inventories		30,218	22,724
Trade and other receivables	10	74,237	80,218
Tax recoverable		-	402
Bank balances and cash		21,758	25,398
		<u>126,213</u>	<u>128,742</u>
Current Liabilities			
Trade and other payables	11	38,921	52,358
Provision		5,290	4,624
Amount due to a related company		160	219
Tax payable		2,948	1,664
		<u>47,319</u>	<u>58,865</u>
Net Current Assets		78,894	69,877
Total Assets less Current Liabilities		<u>86,313</u>	<u>77,114</u>
Non-current Liability			
Deferred tax liabilities		83	116
Net assets		<u>86,230</u>	<u>76,998</u>
Capital and Reserves			
Share capital		4,800	4,800
Reserves		81,430	72,198
Total Equity		<u>86,230</u>	<u>76,998</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Share <u>capital</u> HK\$'000	Share <u>premium</u> HK\$'000	Special <u>reserve</u> HK\$'000	Translation <u>reserve</u> HK\$'000	Retained <u>profits</u> HK\$'000	<u>Total</u> HK\$'000
At 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
2012 final dividend paid (note 8)	-	-	-	-	(9,600)	(9,600)
At 31 December 2013 and 1 January 2014	4,800	32,523	(1)	(132)	39,808	76,998
Profit and total comprehensive income for the year	-	-	-	-	23,632	23,632
2013 final dividend paid (note 8)	-	-	-	-	(14,400)	(14,400)
At 31 December 2014	4,800	32,523	(1)	(132)	49,040	86,230

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 design and supply chain of lighting 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 as the Company's shares are listed in Hong Kong.

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

The Group has applied for the first time in the current reporting period the following amendments to HKFRSs and a new Interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

The application of these amendments and Interpretation has had no material impact on the Group's financial performance and positions for the current reporting period and prior years and/or on the disclosures set out in the consolidated financial statements.

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

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ²
HKFRS 15	Revenue from contracts with customers ³
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁵
Amendments to HKAS 1	Disclosure initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁵
Amendments to HKAS 19	Defined benefit plans: Employee contributions ⁴
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidated exception ⁵
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle ⁵

- ¹ Effective for annual periods beginning on or after 1 January 2018.
- ² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
- ³ Effective for annual periods beginning on or after 1 January 2017.
- ⁴ Effective for annual periods beginning on or after 1 July 2014.
- ⁵ Effective for annual periods beginning on or after 1 January 2016.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. 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 "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, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

4. 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 represent 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 2014

	<u>Portable lighting</u> HK\$'000	<u>Shades</u> HK\$'000	Furniture set and other home accessory <u>products</u> HK\$'000	<u>Total</u> HK\$'000
SEGMENT REVENUE				
External sales	<u>290,839</u>	<u>59,004</u>	<u>23,319</u>	<u>373,162</u>
Segment profit	<u>61,129</u>	<u>16,030</u>	<u>5,818</u>	82,977
Unallocated income				284
Unallocated expenses				
- Selling expenses				(23,006)
- Administration expenses				(23,741)
- Research and development expenses				(6,383)
- Finance costs				(1)
Profit before taxation				<u>30,130</u>

For the year ended 31 December 2013

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

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 and finance costs). 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) (the "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)	
	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Hong Kong (place of domicile)	-	-	1,786	2,088
PRC	-	-	2,537	3,030
USA	361,795	334,546	1,903	1,110
Canada	11,089	17,956	-	-
Others	278	555	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue/non-current assets	<u>373,162</u>	<u>353,057</u>	<u>6,226</u>	<u>6,228</u>

Information about major customers

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

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Customer A (<i>Note</i>)	116,950	95,587
Customer B (<i>Note</i>)	<u>143,251</u>	<u>149,027</u>

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

5. FINANCE COSTS

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Interest expenses on bank overdraft	<u>1</u>	<u>2</u>

6. PROFIT BEFORE TAXATION

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' remuneration:		
Salaries, wages and other benefits	30,898	25,989
Retirement benefits scheme contributions	811	785
	<u>31,709</u>	<u>26,774</u>
Less: amount included in research and development expenses	<u>(3,336)</u>	<u>(3,438)</u>
	<u>28,373</u>	<u>23,336</u>
Allowance for obsolete and slow-moving inventories	433	-
Amortisation of intangible asset	97	16
Auditor's remuneration	820	799
Cost of inventories recognised as expenses	283,977	262,268
Depreciation of property, plant and equipment	1,465	989
Loss on disposal of property, plant and equipment	-	33
Net foreign exchange loss	148	265
and after crediting:		
Interest income	<u>77</u>	<u>85</u>

7. INCOME TAX EXPENSE

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Current taxation:		
- Hong Kong Profits Tax	5,282	4,720
- Overseas taxation	1,991	467
	<u>7,273</u>	<u>5,187</u>
(Over)underprovision in prior years:		
- Hong Kong Profits Tax	(603)	7
- Overseas taxation	45	943
	<u>(558)</u>	<u>950</u>
Deferred taxation	<u>(217)</u>	<u>184</u>
Total	<u>6,498</u>	<u>6,321</u>

The Company and the subsidiaries operating in Hong Kong are subject to Hong Kong Profits Tax at a tax rate of 16.5% (2013: 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.

8. DIVIDEND

A final dividend for the year ended 31 December of 2013 of HK3 cents (2012: HK2 cents) per ordinary share of the Company, equivalent to HK\$14,400,000 (2012: HK\$9,600,000) was approved by the shareholders in the annual general meeting on 9 May 2014 and paid.

Subsequent to the end of the reporting period, the Board proposed final dividend of HK3.3 cents per ordinary share of the Company in respect of the year ended 31 December 2014, which is subject to approval at the forthcoming annual general meeting of the Company to be held on 15 May 2015.

9. 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 number of 480,000,000 ordinary shares (2013: 480,000,000) 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 2014 and 2013.

10. TRADE AND OTHER RECEIVABLES

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Trade receivables	69,401	76,258
Bill receivables	-	2,640
	<u>69,401</u>	<u>78,898</u>
Other receivables and prepayment	4,836	1,320
	<u>74,237</u>	<u>80,218</u>

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.

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
1 to 30 days	32,199	28,939
31 to 60 days	34,957	30,217
61 to 90 days	1,643	15,016
Over 90 days	602	4,726
	<u>69,401</u>	<u>78,898</u>

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 HK\$11,549,000 (2013: HK\$31,164,000), 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:

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Overdue by:		
1 to 30 days	9,698	24,735
31 to 60 days	1,220	4,847
61 to 90 days	73	897
Over 90 days	558	685
	<u>11,549</u>	<u>31,164</u>

11. TRADE AND OTHER PAYABLES

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Trade payables	29,970	44,794
Accrued sales commission	193	978
Other payables and accruals	8,758	6,586
	<u>38,921</u>	<u>52,358</u>

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:

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
1 to 30 days	23,712	22,099
31 to 60 days	4,677	20,371
61 to 90 days	972	2,102
Over 90 days	609	222
	<u>29,970</u>	<u>44,794</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the design and supply chain of lighting and home furnishing products, the manufacture of which is outsourced to independent contract manufacturers in the People's Republic of China (the "PRC"). North America is the principal market of the Group and the Group sold products mainly to mass market retailers, home furnishing stores, furniture stores and specialty stores. Mass market retailers remain as the Group's major customer category during the year ended 31 December 2014, which contributed to approximately 78.2% (2013: 79.7%) 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 2014 was approximately HK\$290.8 million, HK\$59.0 million and HK\$23.3 million (2013: HK\$252.9 million, HK\$72.5 million and HK\$27.7 million), respectively. Portable lighting products remained as the Group's most significant revenue stream. During the year, portable lighting and shades contributed to approximately 77.9% and 15.8% (2013: 71.6% and 20.5%) 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 and shades increased from 19.3% to 21.0% and 26.8% to 27.2%, respectively, whereas furniture set and other home accessory products decreased from 29.0% to 24.9% for the year ended 31 December 2013 to the corresponding periods in 2014.

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 5.7% from approximately HK\$353.1 million for the year ended 31 December 2013 to HK\$373.2 million for the year ended 31 December 2014.

Cost of sales of the Group increased by approximately 4.9% from HK\$276.8 million for the year ended 31 December 2013 to HK\$290.2 million for the year ended 31 December 2014. As a result of the foregoing, the gross profit of the Group increased by 8.8%, from approximately HK\$76.3 million for the year ended 31 December 2013 to HK\$83.0 million for the year ended 31 December 2014. The gross profit margin was 21.6% and 22.2% for year ended 31 December 2013 and 2014, respectively. During the year, the total operating cost amounted to approximately HK\$53.1 million, representing 14.2% of the Group's total revenue (2013: HK\$48.9 million, representing 13.8% of the Group's total revenue). The increase was mainly arising from the additional selling expenses of approximately HK\$3.1 million, incurred by a new subsidiary, Couture Lamps Inc., which commenced business since November 2013. Whereas research and development and administrative expenses controlled steadily.

Profit attributable to owners of the Company increased by approximately 11.3% from approximately HK\$21.2 million in the year ended 31 December 2013 to approximately HK\$23.6 million in the year ended 31 December 2014. The Group's net profit margin improved from 6.0% to 6.3% for the corresponding periods. Earnings per share increased from HK4.42 cents to HK4.92 cents.

Financial position and liquidity

As at 31 December 2014, cash and bank balances of the Group amounted to approximately HK\$21.8 million (As at 31 December 2013: HK\$25.4 million). The Group's current ratio (current asset divided by current liabilities) was 2.2 and 2.7 times as at 31 December 2013 and 2014, 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 2014, the Group has unutilized general banking facilities of HK\$5,000,000 (2013: HK\$5,000,000).

Dividend

Subsequent to the end of the reporting period, the board of Directors of the Company (the "Board") recommends a final dividend of HK3.3 cents per ordinary share of the Company (2013:HK3 cents per ordinary share) in respect of the year ended 31 December 2014, which is subject to approval at the forthcoming annual general meeting of the Company to be held on 15 May 2015.

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.

We continue to build up the awareness of our own brandname "Couture" not only in North America, but Europe and Asia Pacific markets, as we believe brand extension into new product categories and markets enable us to generate sustainable growth. Geographic expansion will be a highlight of our future; our long term strategy is to gradually build our business outside North America. We will also concentrate in development of furniture industry by hiring a development team to expand our furniture products to mass market retailers and furniture stores; we see the greatest potential growth in demand in the near future.

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

Capital management

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

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

As at 31 December 2014, there was no borrowing. Therefore, gearing ratio is not meaningful. The Directors of the Company review the capital structure regularly, taking into account the cost of capital and the associated risks. Based on recommendations of the management of the Group, the Group will balance its overall capital structure accordingly.

Contingent Liabilities

As at 31 December 2013 and 2014, the Group did not have any significant contingent liabilities.

Significant Investments

During the year ended 31 December 2014, no significant investments were held. As at 31 December 2014, 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 2013 and 2014.

Material Acquisitions or Disposals

During the years ended 31 December 2013 and 2014, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Charges on assets

As at 31 December 2013 and 2014, the Group has general banking facilities of HK\$5,000,000. The banking facilities are secured by the Group's land and building, having carrying amount of approximately HK\$1,072,000 and HK\$996,000 as at 31 December 2013 and 2014, respectively.

Foreign exchange exposure

During the year ended 31 December 2014, 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 2014, the Group did not have any capital commitment.

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 31 December 2014, the Group employed a total of 5 directors and 114 employees. Total staff costs, including Directors' emoluments, amounted to approximately HK\$31.7 million for the year ended 31 December 2014 (2013: HK\$26.8 million). The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The Group provided discretionary bonus, medical insurance and provident fund. The Company adopted a share option scheme on 21 June 2012, under which the Company can grant options to, among others, employees of the Group to subscribe for shares of the Company with a view to rewarding them for their contributions to the Group and giving incentives to them for optimising their future contributions to the Group. Up to the date of this announcement, no share option has been granted under such share option scheme.

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 2014, except for the following:

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 2014.

Compliance with the Required Standard of Dealings in Securities Transactions by Directors

During the year ended 31 December 2014, 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 2014, he had fully complied with the required standard of dealings and there was no event of non-compliance.

Closure of register of members for 2015 annual general meeting

Book close dates for 2015 AGM (both days inclusive)	14 May 2015 to 15 May 2015
Latest time to lodge transfer documents with the Company's share registrar	13 May 2015, 4:00pm
Name and address of the Company's share registrar	Union Registrars Limited, A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong

Record date for proposed final dividend

Book close dates for final dividend (both days inclusive)	22 May 2015 to 26 May 2015
Record date for proposed final dividend	26 May 2015
Latest time to lodge transfer documents with the Company's share registrar	21 May 2015, 4:00pm
Ex-dividend date	20 May 2015
Name and address of the Company's share registrar	Union Registrars Limited, A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
Expected payment date (if approved at 2015 AGM)	No later than 5 June 2015

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 31 December 2014.

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 profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 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 profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 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, 16 March 2015

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.