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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 on Main Board: 3966)

(Stock Code on GEM: 8146)

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial adviser to the Company



On 15 May 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) the 480,000,000 Shares in issue; and (ii) the 48,000,000 Shares which may fall to be issued pursuant to the exercise of the share options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle was granted by the Stock Exchange on 22 July 2015 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares. The last day of dealings in the Shares on GEM (Stock code: 8146) will be 4 August 2015. Dealings in the Shares on the Main Board (Stock code: 3966) will commence at 9:00 a.m. on 5 August 2015.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

INTRODUCTION

Reference is made to the announcement issued by the Company dated 15 May 2015 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

On 15 May 2015, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) the 480,000,000 Shares in issue; and (ii) the 48,000,000 Shares which may fall to be issued pursuant to the exercise of the share options that may be but not yet granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle was granted by the Stock Exchange on 22 July 2015 for the Shares to be listed on the Main Board and de-listed from GEM. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares. The last day of dealings in the Shares on GEM (Stock code: 8146) will be 4 August 2015. Dealings in the Shares on the Main Board (Stock code: 3966) will commence at 9:00 a.m. on 5 August 2015.

REASONS FOR THE TRANSFER OF LISTING

The Company has been listed on GEM since 20 July 2012. The principal activities of the Group are design and supply chain of lightings and home furnishing products.

The Directors believe that the listing of the Shares on the Main Board will enhance the profile of the Group and improve the trading liquidity of the Shares. The Directors also believe that following the Transfer of Listing, the Company could gain a wider recognition among larger institutional and retail investors. The Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Company.

As at the date of this announcement, the Board had no immediate plans to change the nature of the business of the Group following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 20 July 2012, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8146) will be 4 August 2015. Dealings in the Shares on the Main Board (Stock code: 3966) will commence at 9:00 a.m. on 5 August 2015.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot size of 6,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Company on 21 June 2012 for the purpose of (i) motivating the eligible participants to optimise their performance and efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group. The Share Option Scheme became effective on 20 July 2012, being the date on which it became unconditional, and will be valid and effective for a period of 10 years. The Share Option Scheme will remain effective following the Transfer of Listing and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

No share option has been granted under the Share Option Scheme since the Share Option Scheme has become effective. Hence, pursuant to the provisions of the Share Option Scheme, the Company may grant share options in respect of a total of 48,000,000 Shares during the remaining term of the Share Option Scheme. The listing of the Shares issuable pursuant to the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

PUBLIC FLOAT

The Directors confirm that no less than 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the Latest Practicable Date. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

The Company did not have any options, warrants or similar rights or convertible equity securities in issue as at the Latest Practicable Date.

COMPETING BUSINESS

As at the Latest Practicable Date, none of the Controlling Shareholders or the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(1) and (2) and 9A.09(10) of the Main Board Listing Rules.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders to the Directors at the annual general meeting of the Company held on 15 May 2015 to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the laws of Cayman Islands or the Company's articles of association to be held; or
- (iii) the revocation or variation of such authority given by an ordinary resolution of the Shareholders in general meeting.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial years, respectively. The Directors are of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Main Board Listing Rules.

BIOGRAPHICAL INFORMATION OF DIRECTORS

The Company discloses below the biographical information of each existing Director:

Executive Directors

Mr. LEUNG Yuen Ho Simon (梁遠豪), aged 52, was appointed as executive Director on 3 August 2011. He is the compliance officer of the Company since 20 July 2012. He is also a director of our subsidiaries, namely, Mastercraft Worldwide Limited, Mastercraft Overseas Limited, Mastercraft International Limited and Mastercraft China Limited. He has over 25 years' of production and sales experience in the lighting industry. Mr. Leung has been engaged in the lighting industry since he established Tai Pan Lighting Corporation, a company incorporated in Canada, with an independent third party in 1985. Tai Pan Lighting Corporation is a wholesaler supplying lighting products to furniture and lighting retailers in Canada and a distributor of lamps products to hotels in Canada and the U.S. and Mr. Leung acted as the vice president of the company. In August 2011, Mr. Leung resigned as the vice president of Tai Pan Lighting Corporation and sold all of his shares in Tai Pan Lighting Corporation to an independent third party. Mr. Leung is one of the co-founders of the Group. Since the establishment of the Group, Mr. Leung is responsible for the overall strategic planning and management of the Group. He is also in charge of the financial and operation departments of the Group. Mr. Leung is a director of SYH Investments Limited.

As at the Latest Practicable Date, Mr. Leung was deemed to be interested in 180,000,000 Shares held by SYH Investments Limited, which is wholly and beneficially owned by Mr. Leung, within the meaning of Part XV of the SFO and is one of the Controlling Shareholders.

The remuneration of Mr. Leung are determined by the Remuneration Committee according to the remuneration policy of the Company and on the basis of the Director's experience, responsibility, workload and the time devoted to the Group. Mr. Leung's remuneration for the year ended 31 December 2014 were approximately HK\$1,577,000. Mr. Leung has entered into a service agreement with the Company for an initial term of three years commencing from 20 July 2012, which shall continue thereafter unless and until terminated by either the Company or Mr. Leung giving to the other not less than three months' notice in writing. Under the service agreement, Mr. Leung is entitled to a basic annual remuneration of approximately HK\$1,560,000 (equivalent to US\$200,000).

Save as disclosed above, Mr. Leung confirms that: (i) he did not hold any directorships in the last three years in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other directors, senior management, substantial or Controlling Shareholders; (iii) he does not hold any positions in the Company or other members of the Company; (iv) he has no interest or is not deemed to be interested in any share or underlying share of the Company or its associated corporations within the meaning of Part XV of the SFO; (v) there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules; and (vi) there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Jerry Denny STRICKLAND Jr., aged 64, was appointed as executive director on 3 August 2011. He is the Company's director of sales and marketing. He is also a director of our subsidiaries, namely, Mastercraft Worldwide Limited, Mastercraft Overseas Limited, Mastercraft International Limited, Mastercraft China Limited, Mastercraft Distribution USA Inc. and Couture Lamps, Inc. Mr. Strickland has more than 25 years of sales experience in the lighting industry. Mr. Strickland began working in the lighting industry in his early twenties. Recognizing that direct imports would represent the future of the portable lighting industry, Mr. Strickland is one of the co-founders of the Group. Since the establishment of the Group, Mr. Strickland has been responsible for overall management of the sales and marketing of the Group and is responsible for coordinating and monitoring the Group's customers. He is also responsible for the Group's product development and heading the Group's product development team to design new products for customers.

As at the Latest Practicable Date, Mr. Strickland was beneficially interested in 180,000,000 Shares and is one of the Controlling Shareholders.

The remuneration of Mr. Strickland are determined by the Remuneration Committee according to the remuneration policy of the Company and on the basis of the Director's experience, responsibility, workload and the time devoted to the Group. Mr. Strickland's remuneration for the year ended 31 December 2014 were approximately HK\$1,654,000. Mr. Strickland has entered into a service agreement with the Company for an initial term of three years commencing from 20 July 2012, which shall continue thereafter unless and until terminated by either the Company or Mr. Strickland giving to the other not less than three months' notice in writing. Under the service agreement, Mr. Strickland is entitled to a basic annual remuneration of approximately HK\$1,560,000 (equivalent to US\$200,000).

Save as disclosed above, Mr. Strickland confirms that: (i) he did not hold any directorships in the last three years in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other directors, senior management, substantial or Controlling Shareholders; (iii) he does not hold any positions in the Company or other members of the Company; (iv) he has no interest or is not deemed to be interested in any share or underlying share of the Company or its associated corporations within the meaning of Part XV of the SFO; (v) there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules; and (vi) there are no other matters that need to be brought to the attention of the Shareholders.

Ms. WONG Shuk Fong (黃淑芳), aged 31, was appointed as executive director on 22 July 2015. Ms. Wong joined the Group in February 2011 and is currently the financial controller and company secretary of the Group. She is responsible for financial and corporate governance matters of the Group. She is also responsible for overseeing compliance with the Group's internal controls systems. From 2006 to 2010, Ms. Wong worked in CCIF CPA Limited, initially as auditor before being promoted to assistant manager. During that time, Ms. Wong was involved in handling initial public offerings, auditing and substantial corporate transactions for listed companies in Hong Kong. In 2010, she established her own business in Hong Kong providing advice on tax matters and assistance to listed companies in the preparation of public financial reports and corporate announcements. Ms. Wong obtained a Bachelor of Business (Accounting and Finance) degree from University of Technology, Sydney in 2005 and a Master of Commerce (Accounting) degree from University of New South Wales in 2006. She was accredited as a certified public accountant by CPA Australia and Hong Kong Institute of Certified Public Accountants in 2010 and 2015, respectively.

As at the Latest Practicable Date, Ms. Wong was not interested in any Shares within the meaning of Part XV of the SFO.

The remuneration of Ms. Wong are determined by the Remuneration Committee according to the remuneration policy of the Company and on the basis of the Director's experience, responsibility, workload and the time devoted to the Group. Ms. Wong has entered into a service agreement with the Company for an initial term of three years commencing from 22 July 2015, which shall continue thereafter unless and until terminated by either the Company or Ms. Wong giving to the other not less than three months' notice in writing. Under the service agreement, Ms. Wong is entitled to a remuneration of HK\$78,828 per calendar month and, if any, a discretionary bonus which have been determined with reference to her duties and responsibilities within the Group.

Save as disclosed above, Ms. Wong confirms that: (i) she did not hold any directorships in the last three years in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) she does not have any relationship with any other directors, senior management, substantial or Controlling Shareholders; (iii) she does not hold any positions in the Company or other members of the Company; (iv) she has no interest or is not deemed to be interested in any share or underlying share of the Company or its associated corporations within the meaning of Part XV of the SFO; (v) there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules; and (vi) there are no other matters that need to be brought to the attention of the Shareholders.

Independent Non-executive Directors

Mr. HAU Chi Hung (侯智雄), aged 62, was appointed as an independent non-executive director of the Company on 21 June 2012. Mr. Hau received a degree in Computer Science in 1975 and a Master of Business Administration in 1976 from the University of Alberta (Canada). He was the operations manager of GE Commercial Finance (Hong Kong) Limited (formerly known as Heller Factoring (Hong Kong) Limited in 1982 and 1983) and became a managing director of the same company in 1983. In 1987, he was appointed as a vice-president of Heller Overseas Corporation, responsible for the North Asia region which encompassed Hong Kong, Taiwan and South Korea. He was later seconded to Thailand and was appointed as the managing director of Kasikorn Factoring and Equipment Co. Ltd. (formerly known as Thai Farmers Heller Factoring Company Limited). He later became the vice president of Korn/Ferry International (H.K.) Limited. From 1994, Mr. Hau has been a director of American Pacific Medical Group Limited, a healthcare provider that builds and operates specialized hospitals in China.

As at the Latest Practicable Date, Mr. Hau was not interested in any Shares within the meaning of Part XV of the SFO.

The remuneration of Mr. Hau are determined by the Remuneration Committee according to the remuneration policy of the Company and on the basis of the Director's experience, responsibility, workload and the time devoted to the Group. Mr. Hau's remuneration for the year ended 31 December 2014 were HK\$60,000. Mr. Hau has signed a service agreement with the Company for an initial term of two years commencing from 20 July 2012, which shall continue thereafter unless and until terminated by either the Company or Mr. Hau giving to the other not less than three months' notice in writing. Under the service agreement, Mr. Hau is entitled to a basic annual remuneration of HK\$60,000.

Save as disclosed above, Mr. Hau confirms that: (i) he did not hold any directorships in the last three years in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other directors, senior management, substantial or Controlling Shareholders; (iii) he does not hold any positions in the Company or other members of the Company; (iv) he has no interest or is not deemed to be interested in any share or underlying share of the Company or its associated corporations within the meaning of Part XV of the SFO; (v) there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules; and (vi) there are no other matters that need to be brought to the attention of the Shareholders.

Mr. LAI Kin Jerome (黎健), aged 66, was appointed as independent non-executive director of the Company on 21 June 2012. Mr. Lai graduated in 1974 from the University of Toronto with a Bachelor of Commerce degree. He became a chartered accountant of The Institute of Chartered Accountants of Ontario in 1976 and a member of the Hong Kong Institute of Certified Public Accountants in 2006. Mr. Lai has over 30 years of experience in accounting. He served as chief financial officer and executive director at SPG Land (Holdings) Limited between 2003 and 2008 and as a non-executive director of the company from 2008 to 2011. Mr. Lai was senior vice president of the finance, treasury and administration functional unit of Hong Kong Exchanges and Clearing Limited between 2000 and 2003 and executive director of the finance and management services division of the Stock Exchange between 1997 and 2000. Mr. Lai is currently serving as an independent non-executive director on the board of PC Partner Group Limited, a company listed on the Stock Exchange.

As at the Latest Practicable Date, Mr. Lai was not interested in any Shares within the meaning of Part XV of the SFO.

The remuneration of Mr. Lai are determined by the Remuneration Committee according to the remuneration policy of the Company and on the basis of the Director's experience, responsibility, workload and the time devoted to the Group. Mr. Lai's remuneration for the year ended 31 December 2014 were HK\$240,000. Mr. Lai has signed a service agreement with the Company for an initial term of two years commencing from 20 July 2012, which shall continue thereafter unless and until terminated by either the Company or Mr. Lai giving to the other not less than three months' notice in writing. Under the service agreement, Mr. Lai is entitled to a basic annual remuneration of HK\$240,000.

Save as disclosed above, Mr. Lai confirms that: (i) he did not hold any directorships in the last three years in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other directors, senior management, substantial or Controlling Shareholders; (iii) he does not hold any positions in the Company or other members of the Company; (iv) he has no interest or is not deemed to be interested in any share or underlying share of the Company or its associated corporations within the meaning of Part XV of the SFO; (v) there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules; and (vi) there are no other matters that need to be brought to the attention of the Shareholders.

Mr. TANG Thomas Bong (鄧邦), aged 65, was appointed as an independent non-executive director of the Company on 21 June 2012. Mr. Tang has over 25 years' experience in education management. During the period between 1986 and 1991, he was a director of Getton Investments Limited, which operated a branch under the name S.E.A. Canadian Overseas Secondary School. In 1989, he founded the Canadian International School (Singapore), and held the position of Chief Executive Officer at the school up to February 2014 and thereafter held a position at the school as an Advisor/Consultant. Mr. Tang ceased to be the Advisor/Consultant of the school since January 2015. In 2000, he founded the Schoolhouse by the Bay Pte. Ltd. And the Learning Ladder in Singapore. Also in 2000 Mr. Tang established the Learning Society, a public service organisation that aims to promote and support progressive education programmes for adults and children, educational research, curriculum development, operation of educational institutions, contribution to educational and academic publications and charitable acts in education.

As at the Latest Practicable Date, Mr. Tang was not interested in any Shares within the meaning of Part XV of the SFO.

The remuneration of Mr. Tang are determined by the Remuneration Committee according to the remuneration policy of the Company and on the basis of the Director's experience, responsibility, workload and the time devoted to the Group. Mr. Tang's remuneration for the year ended 31 December 2014 were HK\$60,000. Mr. Tang has signed a service agreement with the Company for an initial term of two years commencing from 20 July 2012, which shall continue thereafter unless and until terminated by either the Company or Mr. Tang giving to the other not less than three months' notice in writing. Under the service agreement, Mr. Tang is entitled to a basic annual remuneration of HK\$60,000.

Save as disclosed above, Mr. Tang confirms that: (i) he did not hold any directorships in the last three years in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other directors, senior management, substantial or Controlling Shareholders; (iii) he does not hold any positions in the Company or other members of the Company; (iv) he has no interest or is not deemed to be interested in any share or underlying share of the Company or its associated corporations within the meaning of Part XV of the SFO; (v) there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Main Board Listing Rules; and (vi) there are no other matters that need to be brought to the attention of the Shareholders.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors (i) had any other major appointments and professional qualifications; (ii) had any other interest in the Shares within the meaning of Part XV of the SFO, and the Board is not aware of any other information relating to the Directors which needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

COMPLIANCE WITH THE LISTING RULES

The Company has fulfilled all pre-conditions for a transfer of listing under Rule 9A.02 of the Main Board Listing Rules.

FINANCIAL INFORMATION

The table below sets forth the selected information of the Group's audited consolidated financial statement for each of the three years ended 31 December 2014 and unaudited condensed consolidated results for the three months ended 31 March 2015 and 2014 respectively:

	For the year ended 31 December			Three months ended 31 March	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue					
– Portable lighting	290,839	252,848	231,714	76,318	62,366
– Shades	59,004	72,472	80,315	18,964	14,720
– Furniture set and other home accessory products	23,319	27,737	19,309	4,585	5,833
	<u>373,162</u>	<u>353,057</u>	<u>331,338</u>	<u>99,867</u>	<u>82,919</u>
Gross profit					
– Portable lighting	61,129	48,799	43,604	14,310	12,740
<i>profit margin</i>	21.0%	19.3%	18.8%	18.8%	20.4%
– Shades	16,030	19,448	19,717	4,931	4,145
<i>profit margin</i>	27.2%	26.8%	24.5%	26.0%	28.2%
– Furniture set and other home accessory products	5,818	8,050	5,157	1,119	1,594
<i>profit margin</i>	24.9%	29.0%	26.7%	24.4%	27.3%
	<u>82,977</u>	<u>76,297</u>	<u>68,478</u>	<u>20,360</u>	<u>18,479</u>
<i>gross profit margin</i>	<u>22.2%</u>	<u>21.6%</u>	<u>20.7%</u>	<u>20.4%</u>	<u>22.3%</u>
Profit for the year/period	<u>23,632</u>	<u>21,237</u>	<u>14,304</u>	<u>6,853</u>	<u>5,934</u>
<i>net profit margin</i>	6.3%	6.0%	4.3%	6.9%	7.2%

Revenue

Year ended 31 December 2014, 2013 and 2012

Revenue increased by approximately 15.0% from approximately HK\$353.1 million for the year ended 31 December 2013 (“FY2013”) to approximately HK\$373.2 million for the year ended 31 December 2014 (“FY2014”); and it increased by approximately 9.1% from approximately HK\$331.3 million for the year ended 31 December 2012 (“FY2012”) to approximately HK\$353.1 million for FY2013. 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 the Group’s major customer category during FY2014, which contributed to approximately 78.2% (2013: 79.7%) of the Group total revenue. Meanwhile, portable lighting remains the Group’s most significant revenue stream. During FY2014, portable lighting and shade contributed to approximately 77.9% and 15.8% (2013: 71.6% and 20.5%) of the Group’s revenue, respectively.

For FY2014, the increase in revenue was mainly attributable to, among others, (i) the increase in support and trust gained from the Company’s strong customer base in North America; (ii) the recovery of the economy of U.S., which led to the increase in demand of household products; (iii) the increase in price of the Company’s products; and (iv) the improvement of product mix as a result of the launch of the new designed products which were tailor-made based on the customers’ design aspirations. For FY2013, the increase in revenue was mainly attributable to the increase in productivity in the Company’s operation and supply chain.

Three months ended 31 March 2015 and 2014

The continuous recovery of the economy of U.S. and increase in demand of household products from North America for the first quarter of 2015 increased the revenue of the Group by approximately 20.4% from approximately HK\$82.9 million for the three months ended 31 March 2014 (“1st Quarter 2014”) to HK\$99.9 million for the three months ended 31 March 2015 (“1st Quarter 2015”). However, with the increase in production and labor cost in the PRC, the Group’s gross profit margin decreased slightly from approximately 22.3% for 1st Quarter 2014 to 20.4% for 1st Quarter 2015.

Among the categories of the Group’s products, portable lighting products remained as the Group’s most significant revenue stream. During the three months ended 31 March 2015, portable lighting and shade contributed to approximately 76.4% and 19.0% (1st Quarter 2014: 75.2% and 17.8%) of the Group’s revenue, respectively.

Relationship with major customers

The background information of the top five customers of the Group for the three years ended 31 December 2014 and three months ended 31 March 2015 is set out as below:

For the three months ended 31 March 2015

	Business Nature	Amount of revenue (Approximately HK\$'000)	% of total revenue of the Group (approximately)	Duration of relationship with the Group
Customer A	Mass market retailer	38,706	38.8	17 years
Customer B	Mass market retailer	34,046	34.1	16 years
Customer C	Mass market retailer	5,390	5.4	7 years
Customer D	Furniture store	4,623	4.6	5 years
Customer E	Specialty store	2,516	2.5	13 years

For the year ended 31 December 2014

	Business Nature	Amount of revenue (Approximately HK\$'000)	% of total revenue of the Group (approximately)	Duration of relationship with the Group
Customer A	Mass market retailer	143,251	38.4	17 years
Customer B	Mass market retailer	116,950	31.3	16 years
Customer C	Mass market retailer	31,524	8.4	7 years
Customer D	Furniture store	15,646	4.2	5 years
Customer E	Specialty store	10,244	2.8	13 years

For the year ended 31 December 2013

	Business Nature	Amount of revenue (Approximately HK\$'000)	% of total revenue of the Group (approximately)	Duration of relationship with the Group
Customer A	Mass market retailer	149,027	42.2	17 years
Customer B	Mass market retailer	95,587	27.1	16 years
Customer C	Mass market retailer	28,725	8.1	7 years
Customer E	Specialty store	18,281	5.2	13 years
Customer D	Furniture store	10,282	2.9	5 years

For the year ended 31 December 2012

	Business Nature	Amount of revenue (Approximately HK\$'000)	% of total revenue of the Group (approximately)	Duration of relationship with the Group
Customer A	Mass market retailer	129,111	39.0	17 years
Customer B	Mass market retailer	85,249	25.7	16 years
Customer C	Mass market retailer	43,537	13.1	7 years
Customer F	Home furnishing store	15,935	4.8	14 years
Customer E	Specialty store	11,526	3.5	13 years

The Group generally enters into master supply agreements with its major customers without any exclusivity clause. The major terms of these agreements include the following:

- (i) Term is determined after arm-length negotiations between the Group and the respective customers. The minimum term of these agreements is one year;
- (ii) Customers can issue purchase orders to the Group from time to time, specifying products, quantity and delivery requirements;
- (iii) Prices of the products are generally determined through negotiations with the customers and based on market conditions;
- (iv) The Group is generally required to provide products with standards specified by the relevant regulatory authorities;
- (v) Terms of sales return and/or defective claim are provided;
- (vi) Payment terms include letters of credit, documentary collection against payment and open account; and
- (vii) Credit terms range from 30 days to 90 days.

The Directors are of the view that the Group will be able to maintain its relationship with its major customers after having considered that:

- (i) The Group's product design and development team, which led by the Company's executive Director, Mr. Strickland who is stationed in U.S. and has more than 25 years of sales experience in the lighting industry, works closely with its major customers to create designs of the Group's products that accommodate shifting trends and preferences of different consumers and help nurturing the relationship with its customers. Save for the existing major customers, they also provide new product design in accordance with the requirement specified by its potential customers in U.S. This tailor-made designing service is one of the major reasons to maintain its relationships with its existing major customers and develop new business relationships with the potential customers as it gives the Group a competitive advantage in the market over other outsourcing companies, design and development companies or original design manufacturers that cannot match the suite of value-added design and development services offered by the Group; and
- (ii) An operating subsidiary of the Group, Mastercraft USA which located in U.S., serves as a U.S. distribution hub to meet second or subsequent purchase orders for a product placed by certain customers in the U.S. As Mastercraft USA keeps inventories at its warehouse in the U.S., the delivery lead times are generally within one week for this type of order. The Group's ability to supply products direct to its U.S. customers from a U.S. distribution hub in shorter delivery lead times is another advantage it has over its competitors who do not operate a U.S. distribution hub.

To the best knowledge of the Directors after having made reasonable enquiry, the Group's major customers abovementioned are independent from and not connected with any of the Directors, chief executive or substantial shareholders of the Group.

Profit for the year/period

Year ended 31 December 2014, 2013 and 2012

Profit for the year increased by approximately 11.3% from HK\$21.2 million to approximately HK\$23.6 million for FY2014; and it increased by approximately 48.5% from approximately HK\$14.3 million for FY2012 to approximately HK\$21.2 million for FY2013.

For FY2014, the increase in profit for the year was mainly attributable to (i) the increase in gross profit due to the improvement of product mix of the Company to meet the preference or demand of various consumers; and (ii) the effective continuing implementation of cost-saving measures introduced during the year.

For FY2013, the increase in profit for the year was mainly attributable to the discontinuous of non-recurring listing expenses of approximately HK\$5.6 million incurred for FY2012.

Profit increased by 15.5% from approximately HK\$5.9 million for 1st Quarter 2014 to approximately HK\$6.9 million for 1st Quarter 2015. The increase in profit for 1st Quarter 2015 as compared to relevant period in 2014 was mainly attributable to the increase in revenue due to the recovery of the economy of U.S. and the increase in demand of household products from North America.

Trade and other receivables

Trade receivables (excluding bill receivables, other receivables and prepayment) of the Group decreased from approximately HK\$77.5 million as at 31 December 2012 to approximately HK\$76.3 million as at 31 December 2013 and to approximately HK\$69.4 million as at 31 December 2014. The relevant trade receivables (excluding bill receivables, other receivables and prepayment) turnover days increased from approximately 70 days as at 31 December 2012 to 79 days as at 31 December 2013, and decreased to approximately 71 days as at 31 December 2014. The bill receivables, other receivables and prepayment of the Group amounted to approximately HK\$5.3 million, HK\$4.0 million and HK\$4.8 million, representing approximately 6.4%, 4.9% and 6.5% of the total trade and other receivables of the Group as at 31 December 2012, 2013 and 2014 respectively.

The Group's trade receivables were primarily related to the sale of its products to its customers. Due to the tightening of the credit calibration control by the Group, the trade receivables (excluding bill receivables, other receivables and prepayment) of the Group decreased gradually for the three years ended 31 December 2014. As such, the trade receivables (excluding bill receivables, other receivables and prepayment) turnover days of the Group as at 31 December 2014 decreased corresponding as compared to that as at 31 December 2013. The increase in trade receivables (excluding bill receivables, other receivables and prepayment) turnover days of the Group as at 31 December 2013 was primarily due to the increase in sales portion to its major customers which normally has a longer settlement period.

The Directors confirm that the Group has not encountered any material difficulties in collections of the trade receivables of the Group. Senior management was required to review customers' aging reports in a weekly basis, which resulted in the improvement on the settlement of the Group's trade receivables.

As at 31 March 2015, 94.5% of our trade receivables as at 31 December 2014 were settled. Our Directors reviewed the repayment history of these customers with outstanding receivables and considered that the outstanding balance will be received. In light of the above, provision was not made.

Inventories

In order to fulfil second or subsequent purchase orders for a product placed by certain customers in the U.S., the Group have held products in Mastercraft USA's warehouse in Arkansas, the U.S. as the delivery lead times are generally within one week for this type of order. As such, all the inventories held by the Group are finished products.

Inventories of the Group decreased by 23.3% from approximately HK\$29.6 million as at 31 December 2012 to approximately HK\$22.7 million as at 31 December 2013, but increased by 33.0% to approximately HK\$30.2 million as at 31 December 2014. The inventories turnover days were approximately 31 days, 35 days and 33 days for FY2012, FY2013 and FY2014 respectively. The Group had established strong relationships with the customers in the U.S. and the purchase amounts from the replenishment orders are relatively stable, thus the inventory turnover days remains steady for the three years ended 31 December 2014.

As at 31 March 2015, 76.9% of our inventories as at 31 December 2014 had been delivered. Based on past experience, the Company was able to maintain adequate but not excessive replenishment inventory in order to meet short delivery lead time orders as required by the customers. As such, the Directors are of the view that provision for inventories was considered adequate.

RECENT BUSINESS DEVELOPMENTS

With reference to the historical financial information of the Group, it enjoys a stable growth in business performances since the listing of the Company on GEM. Both gross profit margin and net profit margin of the Group remains steady during the recent years. In order to cope with the developments of the Group and further strengthen the business relationship with its customers, the Group intends to increase its labour force to handle product design and development as well as to satisfy its operational needs. Meanwhile, the Group had increased the rental area of the showroom for the promotion of products with its own brand name since the fourth quarter of 2014. As such, the Directors estimated that the Group's net profit margin for the year ending 31 December 2015 may be slightly affected by the additional costs incurred from the abovementioned matters.

Save for the above, as the Group maintains good relationship with its suppliers and major customers and with reference to the Group's financial performance up to the Latest Practicable Date, the Directors are of the view that there have been no material fluctuations in the Group's sales, major costs, profit margins, selling price, products demand from U.S. market after the first quarter of 2015.

Under the expectation of the continuous recovery of the economy of U.S., the Directors are of the view that the Group will continue to grow at a steady pace and no unfavourable trends or developments which may have had a material adverse impact on the Group's operations, business and financial performance in the near future.

FUTURE BUSINESS PLANS

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

Owing to fierce competition across the portable lighting and home furnishing industry in the U.S., a strategic initiative was launched to expand the business of the Group to sell under its own brand name. In November 2013, the Company set up a new U.S. subsidiary, Couture Lamps Inc., to sell fashion and modern classic lighting and home furnishing products under the Group's own brand name – "Couture". The Group will continue to increase awareness and build up the profile of "Couture" not only in North America, but also the European and Asia Pacific markets. Brand extension, market expansion and introduction new product categories are expected to generate sustainable growth. The Group plans to gradually build its business outside North America. The Company intends to enter into European market, especially the countries under the European Union, with an initial investment capital of HK\$1 million by the end of 2017 if the branding of "Couture" is built up in U.S. successfully during the year ended 31 December 2015. Feasibility study for the sale of the Group's product under the brand name of "Couture" is expected to be conducted and relevant safety certification is expected to be obtained by the end of 2016. The expansion into European market will be funded by internally generated financial resources. As at the Latest Practicable Date, there was no concrete business plan being implemented to expand into Asia Pacific markets. Moreover, the Group will also concentrate on expanding into the furniture industry by hiring a development team to help selling the Group's furniture products to mass market retailers and furniture stores, where the greatest potential growth in demand in the near future is expected.

The Group will continue to participate 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, the Group will also conduct feasibility study with the online sales market and platform.

The Directors confirm that since 31 March 2015 and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group.

USE OF PROCEEDS

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

The Group originally planned to use part of the net proceeds to conduct feasibility study for the portable lighting and home furnishing industry in overseas market and the PRC hotel and motel market. As discussed in the section headed “Recent Business Developments”, the Group intends to strategically and gradually build up its business outside North America, including European and Asia Pacific market, under the Group’s own brand name. However, the Directors are of the view that it is not in the best interest of the Company and its Shareholders for the Group to enter into PRC hotel and motel market during FY2014 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 utilise the proceeds as planned. As at 31 December 2014, the unutilised net proceeds was in the sum of approximately HK\$2.4 million. The Group will review its business strategy from time to time and apply the unutilised net proceeds to conduct feasibility studies in the future as and when the opportunities arise, which is same as the planned used of proceed as stated in the prospectus of the Company for the listing of the Company on GEM dated 10 July 2012.

As at the Latest Practical Date, the unutilised net proceeds amounted to approximately HK\$2.4 million.

Should there be any change in the use of proceeds, further announcement will be made by the Company.

CONTINUING CONNECTED TRANSACTION

Prior to the listing of the Company on GEM, the Group had entered into a number of transactions with certain entities which have become connected persons (as defined in the GEM Listing Rules) of the Company upon the listing of the Shares. Following the listing of the Shares in 20 July 2012, these transactions have continued in the ordinary and usual course of business and thereby have become continuing connected transactions of the Company under the GEM Listing Rules, details of which are set out in the announcement of the Company dated 7 March 2014 and annual reports of the Company. Upon the Transfer of Listing, these continuing connected transactions of the Company will continue and the Company will comply with the relevant rules of the Main Board Listing Rules.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at <http://www.mastercraftholdings.com> and of the Stock Exchange at <http://www.hkexnews.hk>:

- (i) the memorandum and articles of association of the Company;
- (ii) the published Directors' report and annual report of the Company for the year ended 31 December 2014;
- (iii) the quarterly report of the Company for the three months ended 31 March 2015;
- (iv) the interim report of the Company for the six months ended 30 June 2014;
- (v) the circular of the Company dated 23 March 2015 in relation to the general mandates to issue and repurchase Shares, re-election of Directors and re-appointment of auditor; and
- (vi) a copy of each of the announcements and other corporate communications made by the Company prior to the Latest Practicable Date as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms and expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules and as at the date of this announcement, refer to Mr. Leung, Mr. Strickland and SYH Investments
“Company”	Mastercraft International Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and the shares of which are listed on GEM
“Director(s)”	the directors of the Company

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	22 July, 2015, being the latest practicable date prior to the issue of this announcement for ascertaining certain information contained in this announcement
“Listing Committee”	the listing committee of the board of directors of the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM; for the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended, supplemented or otherwise modified from time to time
“Mastercraft USA”	Mastercraft Distribution USA Inc., a corporation incorporated in the State of Delaware in the U.S. and is an indirect wholly owned subsidiary of the Company
“Mr. Leung”	Mr. LEUNG Yuen Ho Simon, the Company’s Chairman and chief executive officer, and executive Director and one of the Controlling Shareholders
“Mr. Strickland”	Mr. Jerry Denny STRICKLAND Jr., one of the Controlling Shareholders and an executive Director

“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Remuneration Committee”	the remuneration committee of the Company
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 21 June 2012, as amended, supplemented or otherwise modified from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SYH Investments”	SYH Investments Limited, a limited liability company incorporated in the British Virgin Islands and wholly owned by Mr. Leung
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange pursuant to Chapter 9A of the Main Board Listing Rules
“U.S.”	the United States of America
“US\$”	The United States dollar, the legal tender of the U.S.
“%”	per cent

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

Hong Kong, 23 July 2015

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules and 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 will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company’s website at www.mastercraft Holdings.com.