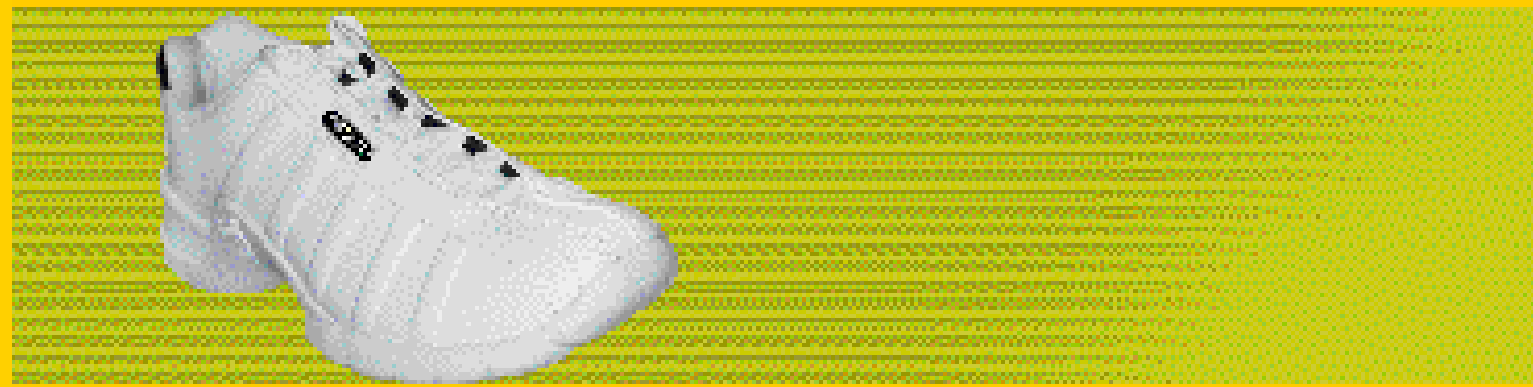


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**PEGASUS INTERNATIONAL HOLDINGS LIMITED**  
**創 信 集 團 有 限 公 司**  
*(Incorporated in Bermuda with limited liability)*  
(「百慕達註冊獨立有限公司」)

The Board of Directors (the "Directors") of Pegasus International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001 with comparative figures for the corresponding period in 2000 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For The Six Months Ended 30th June, 2001

		Six months ended 30th June,	
		2001 (unaudited) US\$'000	2000 (unaudited) US\$'000
	NOTES		
Turnover	2	66,295	95,391
Cost of sales		<u>(53,180)</u>	<u>(73,630)</u>
Gross profit		13,115	21,761
Other revenue		2,226	1,483
Distribution costs		(2,719)	(4,030)
Administrative expenses		<u>(6,975)</u>	<u>(7,402)</u>
Profit from operations	3	5,647	11,812
Interest on bank borrowings wholly repayable within five years		(746)	(621)
Interest income		123	272
Share of results of an associate		<u>(26)</u>	<u>—</u>
Profit before taxation		4,998	11,463
Taxation	4	<u>(155)</u>	<u>(302)</u>
Net profit attributable to shareholders		4,843	11,161
Dividends	5	<u>(1,233)</u>	<u>(3,111)</u>
Net profit for the period, retained		<u><u>3,610</u></u>	<u><u>8,050</u></u>
Earnings per share	6		
Basic		<u><u>0.6 US cent</u></u>	<u><u>1.5 US cents</u></u>
Diluted		<u><u>0.6 US cent</u></u>	<u><u>1.4 US cents</u></u>

There were no recognised gains or losses other than the net profit for the period.

# CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2001

		30th June, 2001 (unaudited) US\$'000	31st December, 2000 (audited) US\$'000
	NOTES		
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	7	100,593	103,948
Interest in an associate		429	455
		<u>101,022</u>	<u>104,403</u>
Current assets			
Inventories		34,115	34,962
Trade and other receivables	8	15,606	15,597
Bank balances and cash		6,517	8,157
		<u>56,238</u>	<u>58,716</u>
Current liabilities			
Trade and other payables	9	25,302	26,246
Amount due to an associate		3	519
Dividend payable		931	1,396
Taxation		130	351
Bank borrowings, unsecured — due within one year		15,697	17,562
		<u>42,063</u>	<u>46,074</u>
Net current assets		<u>14,175</u>	<u>12,642</u>
		<u><u>115,197</u></u>	<u><u>117,045</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	9,307	24,306
Reserves	11	91,014	87,395
Shareholders' funds		<u>100,321</u>	<u>111,701</u>
<b>MINORITY INTERESTS</b>		<u>1</u>	<u>1</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings, unsecured — due after one year		14,875	5,343
		<u>115,197</u>	<u>117,045</u>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For The Six Months Ended 30th June, 2001

	Six months ended 30th June,	
	2001 (unaudited) US\$'000	2000 (unaudited) US\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<u>10,389</u>	<u>9,298</u>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Dividends paid	(1,698)	(3,575)
Interest paid	(759)	(629)
Interest received	<u>130</u>	<u>280</u>
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<u>(2,327)</u>	<u>(3,924)</u>
<b>TAXATION</b>		
Hong Kong Profits Tax paid	(2)	(2)
Taxation in other jurisdictions paid	<u>(374)</u>	<u>(323)</u>
<b>TOTAL TAXATION PAID</b>	<u>(376)</u>	<u>(325)</u>
<b>CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<u>(2,003)</u>	<u>(8,883)</u>
<b>NET CASH INFLOW (OUTFLOW) BEFORE FINANCING</b>	<u>5,683</u>	<u>(3,834)</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of convertible non-voting preference shares	(15,000)	—
Proceeds from exercise of share options	10	—
Bank loans raised	14,076	9,000
Repayments of bank loans	(3,931)	(3,972)
Net decrease in trust receipts loans	<u>(2,478)</u>	<u>(3,698)</u>
<b>NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES</b>	<u>(7,323)</u>	<u>1,330</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(1,640)</u>	<u>(2,504)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>8,157</u>	<u>10,950</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<u><u>6,517</u></u>	<u><u>8,446</u></u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For The Six Months Ended 30th June, 2001

## 1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of land use rights and buildings.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 (SSAP 25) Interim Financial Reporting issued by the Hong Kong Society of Accountants. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December 2000.

## 2. SEGMENT INFORMATION

The Group is engaged principally in the manufacture and sale of footwear products.

The turnover analysed by geographical markets is as follows:

	Six months ended 30th June,	
	2001 US\$'000	2000 US\$'000
North America	39,863	53,194
Europe	12,169	27,308
Asia	11,830	12,299
Others	2,433	2,590
	<u>66,295</u>	<u>95,391</u>

The contribution to operating profit by geographical markets is not presented as the contribution to profit from each geographical market is in line with the ratio of operating profit to turnover achieved by the Group.

## 3. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2001 US\$'000	2000 US\$'000
Profit from operations has been arrived at after charging:		
Staff costs	12,027	16,644
Provident fund contributions	16	—
	<u>12,043</u>	<u>16,644</u>
Auditors' remuneration	47	47
Depreciation and amortisation	5,359	5,478
Rental payments in respect of premises under operating leases	276	248
	<u>276</u>	<u>248</u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For The Six Months Ended 30th June, 2001

## 4. TAXATION

	Six months ended 30th June,	
	2001	2000
	US\$'000	US\$'000
The charge comprises:		
Hong Kong Profits Tax	2	3
Taxation in other jurisdictions		
— People's Republic of China (the "PRC")	150	295
— Republic of China ("Taiwan")	3	4
	<u>3</u>	<u>4</u>
	<u>155</u>	<u>302</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for both periods.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 5. DIVIDENDS

	Six months ended 30th June,	
	2001	2000
	US\$'000	US\$'000
Interim dividend of 1 Hong Kong cent per ordinary share (2000: 3 Hong Kong cents per ordinary share)	931	2,792
Dividend paid for convertible non-voting preference shares	<u>302</u>	<u>319</u>
	<u>1,233</u>	<u>3,111</u>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For The Six Months Ended 30th June, 2001

## 6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th June,	
	2001	2000
	US\$'000	US\$'000
<b>Earnings</b>		
Profit attributable to shareholders	4,843	11,161
Dividend for convertible non-voting preference shares	(302)	(319)
	<hr/>	<hr/>
Earnings for the purpose of basic earnings per share	4,541	10,842
Effect of dilutive potential ordinary shares:		
— Dividend for convertible non-voting preference shares	302	319
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<u>4,843</u>	<u>11,161</u>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	721,298,895	721,200,000
Effect of dilutive potential ordinary shares:		
— Share options	3,785,185	10,300,980
— Convertible non-voting preference shares	63,701,269	67,229,910
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>788,785,349</u>	<u>798,730,890</u>

## 7. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$2,003,000 (six months ended 30th June, 2000: US\$8,883,000) on additions to property, plant and equipment.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For The Six Months Ended 30th June, 2001

## 8. TRADE AND OTHER RECEIVABLES

The Group grants an average credit period of approximately 30 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30th June, 2001</b> <i>US\$'000</i>	31st December, 2000 <i>US\$'000</i>
0-30 days	9,497	10,757
31-60 days	290	1,486
>60 days	<u>2,148</u>	<u>1,697</u>
Total trade receivables	11,935	13,940
Other receivables	<u>3,671</u>	<u>1,657</u>
	<u><u>15,606</u></u>	<u><u>15,597</u></u>

## 9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	<b>30th June, 2001</b> <i>US\$'000</i>	31st December, 2000 <i>US\$'000</i>
0-30 days	6,818	5,469
31-60 days	1,787	2,492
>60 days	<u>4,904</u>	<u>5,605</u>
Total trade payables	13,509	13,566
Other payables	<u>11,793</u>	<u>12,680</u>
	<u><u>25,302</u></u>	<u><u>26,246</u></u>



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For The Six Months Ended 30th June, 2001

## 10. SHARE CAPITAL

	30th June, 2001		31st December, 2000	
	Number of shares	Amount US\$'000	Number of shares	Amount US\$'000
Authorised				
Ordinary shares of HK\$0.10 each	1,500,000,000	19,355	1,500,000,000	19,355
Convertible non-voting preference shares of US\$100,000 each	150	<u>15,000</u>	150	<u>15,000</u>
		<u>34,355</u>		<u>34,355</u>
Issued and fully paid				
Ordinary shares of HK\$0.10 each (Note a)	721,300,000	9,307	721,200,000	9,306
Convertible non-voting preference shares of US\$100,000 each (Note b)	—	<u>—</u>	150	<u>15,000</u>
		<u>9,307</u>		<u>24,306</u>

### Notes:

- (a) During the period, 100,000 share options were exercised at a subscription price of HK\$0.77 per share, resulting the issue of 100,000 ordinary shares of HK\$0.10 each in the Company.
- (b) The Company has entered into a Sale and Purchase Agreement for the repurchase by the Company of all 150 outstanding convertible non-voting preference shares (the "CP Shares") with the CP Shares Subscriber on 31st May, 2001 by way of an off-market repurchase at the full face value on the aggregate principal amount of US\$15 million. The Sale and Purchase Agreement was completed by two tranches of US\$7.5 million each on 15th June, 2001 and 28th June, 2001 respectively. The 150 CP Shares repurchased by the Company were cancelled.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For The Six Months Ended 30th June, 2001

## 11. RESERVES

Movement of reserves during the period are as follows:

	Share premium <i>US\$'000</i>	Contributed surplus <i>US\$'000</i>	Assets revaluation reserve <i>US\$'000</i>	Merger reserve <i>US\$'000</i>	Accumulated profits <i>US\$'000</i>	Total <i>US\$'000</i>
<b>THE GROUP</b>						
At 1st January, 2001	21,029	—	11,415	(4,512)	59,463	87,395
Premium arising on issue of shares	9	—	—	—	—	9
Net profit for the period	—	—	—	—	4,843	4,843
Dividends ( <i>note 5</i> )	—	—	—	—	(1,233)	(1,233)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,233)</u>	<u>(1,233)</u>
At 30th June, 2001	<u>21,038</u>	<u>—</u>	<u>11,415</u>	<u>(4,512)</u>	<u>63,073</u>	<u>91,014</u>

## 12. CONTINGENCIES AND COMMITMENTS

	30th June, 2001 <i>US\$'000</i>	31st December, 2000 <i>US\$'000</i>
Bills discounted with recourse	<u>1,922</u>	<u>64</u>
Capital expenditure contracted for but not provided in the financial statements in respect of the purchase of property, plant and equipment	<u>156</u>	<u>605</u>

## INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 1 Hong Kong cent per ordinary share for the six months ended 30th June, 2001 to shareholders whose names appear on the register of members on 12th October, 2001. The dividend warrants will be sent to shareholders on or before 19th October, 2001.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 9th October, 2001 to Friday, 12th October, 2001, both days inclusive, during which no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrars, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Monday, 8th October, 2001.

## BUSINESS REVIEW AND PROSPECTS

For the six months ended 30th June, 2001, turnover of the Group decreased by 31% to US\$66,295,000, and the Group reported a profit attributable to shareholders of US\$4,843,000.

The decrease in turnover is mainly due to the issue of European quota system on imported footwear manufactured in the People's Republic of China (the "PRC"). The stringent quota system imposed by the European Community requests European importers to prepare for their import quota. Importers without import quota will have difficulty in sourcing footwear products from the PRC. Hence, the turnover of the Group for Europe was affected. The general footwear market is sluggish in 2001, and the worldwide economy is slow, including the biggest market — the United States of America. Market competition remains intensive and there is continued pressure on selling price.

Despite the market situation, as a footwear manufacturer, the Group will continue to improve its competitive edge, by catering for the customers' needs, and to control the costs. Although the net margin decreased from 12% in 2000 to 7% in 2001, the ratio of the operating profit (EBITDA) to turnover decreased only by 1% to 17% in current period, as compared to 18% in 2000. It reflected the Group has successfully controlled its cost in facing the soft market situation.

With the upcoming entry of China into the World Trade Organisation, the European import quota will be lifted and there will be much room for footwear manufactured in the PRC to enter European market.

The Directors remain cautious and set up control measures over the costs. On the other hand, the Group will continue to focus on its core business and to expand customer base to bring in more business to the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2001, the Group had total assets of US\$157,260,000, which were financed by current liabilities of US\$42,063,000, long term liabilities of US\$14,875,000 and shareholders' fund of US\$100,321,000. The current ratio was approximately 1.34 times and the ratio of total bank borrowings to shareholders' funds was 30%. The Group services its debts primarily through cash earned from its operations and the Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.

On 31st May, 2001, the Company has entered into a Sale and Purchase Agreement for the repurchase of all 150 outstanding convertible non-voting preference shares ("CP Shares") with the CP Shares subscriber on 31st May, 2001 by way of an off-market repurchase at the full face value in the aggregate principal amount of US\$15 million. The repurchase was completed on 28th June, 2001. The repurchase was financed by the Company's banking facilities and internal cash flow. The Directors are of a view that the repurchase of CP Shares at their full face value prior to their maturity date on 14th September, 2001 is fair and reasonable and in the interest of the Company and its shareholders. The repurchase did not have material adverse effect on the business or financial condition of the Group.

## DIRECTORS' INTERESTS IN SHARES

At 30th June, 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

<b>Name of director</b>	<b>Nature of interest</b>	<b>Number of shares</b>
Mr. Thomas Wu Chen San	Personal	(Note 1)
Mr. Michael Wu Jenn Chang	Corporate	(Note 1)
	Personal	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
	Family (Note 2)	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
Mr. Jackson Wu Jenn Tzong	Corporate	(Note 1)
	Personal	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
	Family (Note 2)	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
Mr. Arthur Yang Chih Chieh	Corporate	(Note 1)
	Family (Note 3)	7,193,970 ordinary shares of the Company

*Note 1:* Mr. Thomas Wu Chen San and his wife, Mrs. Peggy Wu, jointly hold 3,235 shares (16% of the issued share capital); each of Mr. Michael Wu Jenn Chang and Mr. Jackson Wu Jenn Tzong through a company (the entire issued share capital of which is owned by them respectively) holds 6,470 shares (32% of the issued share capital); and Mr. Arthur Yang Chih Chieh and his wife jointly through a company (the entire issued share capital of which is owned by them jointly) hold 474 shares (2% of the issued share capital), of Pegasus Footgear Management Limited which is a substantial shareholder of the Company.

*Note 2:* Each of Mr. Michael Wu Jenn Chang and Mr. Jackson Wu Jenn Tzong is deemed under the SDI Ordinance to have an interest in the said issued capital of Topstair International (Taiwan) Ltd., a subsidiary of the Company, held by their respective wives.

*Note 3:* Mr. Arthur Yang Chih Chieh is deemed under the SDI Ordinance to have an interest in the above shares held by his wife.

Save as disclosed above, at 30th June, 2001, none of the directors or their associates had any interests in any shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

## ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Under the Company's share option scheme, certain directors of the Company have personal interests in share options to subscribe for shares in the Company which have been granted to them as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of share options		
			outstanding at 1st January, 2001	expired during the period	outstanding at 30th June, 2001
Mr. Thomas Wu Chen San	4th January, 1997	0.77	8,000,000	8,000,000	—
	23rd April, 1999	0.60	8,000,000	—	8,000,000
Mr. Michael Wu Jenn Chang	4th January, 1997	0.77	6,000,000	6,000,000	—
	23rd April, 1999	0.60	5,000,000	—	5,000,000
Mr. Jackson Wu Jenn Tzong	23rd April, 1999	0.60	1,000,000	—	1,000,000
Mr. Arthur Yang Chih Chieh	4th January, 1997	0.77	1,000,000	1,000,000	—
	23rd April, 1999	0.60	100,000	—	100,000
Mr. Steven Ho Chin Fa	4th January, 1997	0.77	1,000,000	1,000,000	—
	23rd April, 1999	0.60	200,000	—	200,000
			30,300,000	16,000,000	14,300,000

The options can be exercised at any time for a period of three years commencing on the first anniversary of the date of grant.

Other than the share option scheme disclosed above, at no time during the period was the Company, its holding company, fellow subsidiaries, or subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors or their spouses or children under the age of 18 had any right to subscribe for the shares in the Company or had exercised any such right during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more of the issued capital of the Company:

<b>Name of shareholder</b>	<b>Number of ordinary shares of the Company held</b>	<b>Percentage of issued share capital %</b>
Pegasus Footgear Management Limited	468,743,940	65

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 30th June, 2001.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30th June, 2001, the Company repurchased its 150 outstanding convertible non-voting preference shares. Details of the repurchase are disclosed under the section headed "Liquidity and Financial Resources" above. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the six months ended 30th June, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

By Order of the Board  
**Thomas Wu Chen San**  
*Chairman*

Hong Kong, 20th September, 2001