



**Since 1956**

**Pegasus International Holdings Limited**

**創信國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

*(於百慕達註冊成立之有限公司)*

*(Stock Code 股份代號 : 676)*

**INTERIM REPORT 2012 中期報告**

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 30 June 2012 with comparative figures for the corresponding period in 2011.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	NOTES	Six months ended 30 June	
		2012 (unaudited) US\$'000	2011 (unaudited) US\$'000
Revenue		<b>63,032</b>	63,896
Cost of sales		<b>(53,499)</b>	(52,985)
Gross profit		<b>9,533</b>	10,911
Other income		<b>203</b>	195
Selling and distribution costs		<b>(4,269)</b>	(4,040)
Administrative expenses		<b>(4,123)</b>	(5,331)
Share of profit (loss) of an associate		<b>39</b>	(53)
Share of loss of a jointly controlled entity		<b>-</b>	(418)
Interest on bank borrowings wholly repayable within five years		<b>(30)</b>	(64)
Profit before taxation		<b>1,353</b>	1,200
Taxation	5	<b>(234)</b>	(2,459)
Profit (loss) for the period		<b>1,119</b>	(1,259)
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operations		<b>(1,313)</b>	(541)
Total comprehensive expense for the period		<b>(194)</b>	(1,800)
Earnings (loss) per share	7		
Basic		<b>0.153 US cent</b>	(0.172) US cent

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	At 30 June 2012 (unaudited) US\$'000	At 31 December 2011 (audited) US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	61,793	63,028
Prepaid lease payments		5,944	6,031
Interests in an associate		652	613
		<b>68,389</b>	69,672
<b>Current assets</b>			
Prepaid lease payments		178	178
Inventories		32,890	48,147
Trade and other receivables	9	11,309	14,889
Held for trading investments		437	426
Bank balances and cash		23,327	7,432
		<b>68,141</b>	71,072
Assets classified as held for sale		944	944
		<b>69,085</b>	72,016
<b>Current liabilities</b>			
Trade and other payables	10	9,242	10,648
Tax payable		545	311
Unsecured bank borrowings – due within one year		1,765	4,142
		<b>11,552</b>	15,101
<b>Net current assets</b>		<b>57,533</b>	56,915
		<b>125,922</b>	126,587
<b>Capital and reserves</b>			
Share capital	11	9,428	9,428
Share premium and reserves		113,020	113,685
<b>Total equity</b>		<b>122,448</b>	123,113
<b>Non-current liability</b>			
Deferred tax liabilities		3,474	3,474
		<b>125,922</b>	126,587

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital US\$'000	Share premium US\$'000	Properties revaluation reserve US\$'000	Merger reserve US\$'000	Translation reserve US\$'000	Retained profits US\$'000	Total US\$'000
At 1 January 2011	9,428	21,644	8,193	(4,512)	16,770	70,635	122,158
Loss for the period	-	-	-	-	-	(1,259)	(1,259)
Exchange differences arising on translation of foreign operations	-	-	-	-	(541)	-	(541)
Total comprehensive expense for the period	-	-	-	-	(541)	(1,259)	(1,800)
Final dividends paid for 2010	-	-	-	-	-	(471)	(471)
As 30 June 2011	9,428	21,644	8,193	(4,512)	16,229	68,905	119,887
At 1 January 2012	9,428	21,644	7,635	(4,512)	23,274	65,644	123,113
Profit for the period	-	-	-	-	-	1,119	1,119
Exchange differences arising on translation of foreign operations	-	-	-	-	(1,313)	-	(1,313)
Total comprehensive expense for the period	-	-	-	-	(1,313)	1,119	(194)
Final dividends paid for 2011	-	-	-	-	-	(471)	(471)
As 30 June 2012	9,428	21,644	7,635	(4,512)	21,961	66,292	122,448

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2012*

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2012</b>	2011
	<b>(unaudited)</b>	(unaudited)
	<b>US\$'000</b>	US\$'000
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	<b>18,938</b>	14,023
Taxation in other jurisdictions paid	–	(3,532)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>18,938</b>	10,491
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(253)</b>	(558)
Interest received	<b>88</b>	72
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(165)</b>	(486)
<b>FINANCING ACTIVITIES</b>		
Repayment of bank loans	<b>(2,377)</b>	(1,601)
Dividends paid	<b>(471)</b>	(470)
Interest paid	<b>(30)</b>	(64)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2,878)</b>	(2,135)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15,895</b>	7,870
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>7,432</b>	13,701
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE REPRESENTED BY BANK BALANCES AND CASH</b>	<b>23,327</b>	21,571

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34, Interim Financial Reporting.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements for the six month ended 30 June 2012 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2012.

The application of the these new and revised HKFRSs had no material effect on the amounts reported in the condensed consolidated financial statements and disclosures set out in the condensed consolidated financial statements.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the chief operating decision maker of the Group, being the Group's chief executive officer, regularly reviews the revenue and operating results analysis by geographical market based on destination of the goods shipped or delivered, irrespective of the origin of the goods. The Group's operating segments determined based on location of geographical markets are North America, Europe, Asia and other regions. However, the chief decision maker does not regularly review the segment assets and segment liabilities by operating segments.

*Six months ended 30 June 2012*

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
<b>REVENUE</b>					
External sales of goods	33,875	21,293	5,736	2,128	63,032
<b>RESULTS</b>					
Segment results	5,143	1,993	678	270	8,084
Unallocated income					115
Interest income					88
Unallocated expenses					(6,943)
Share of profit of an associate					39
Interest on bank borrowings wholly repayable within five years					(30)
Profit before taxation					1,353
Taxation					(234)
Profit for the period					1,119

**3. SEGMENT INFORMATION** (Continued)*Six months ended 30 June 2011*

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
<b>REVENUE</b>					
External sales of goods	39,500	14,184	8,441	1,771	63,896
<b>RESULTS</b>					
Segment results	6,172	1,320	976	249	8,717
Unallocated income					123
Interest income					72
Unallocated expenses					(7,177)
Share of loss of an associate					(53)
Share of loss of a jointly controlled entity					(418)
Interest on bank borrowings wholly repayable within five years					(64)
Profit before taxation					1,200
Taxation					(2,459)
Loss for the period					(1,259)



#### 4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2012 US\$'000	2011 US\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	195	199
Other staff costs	16,587	16,123
Retirement benefits scheme contributions (excluding contributions in respect of directors)	966	927
<b>Total staff costs</b>	<b>17,748</b>	17,249
Auditors' remuneration	74	68
Depreciation of property, plant and equipment	1,488	1,544
and after crediting to other income:		
Interest income	88	72

#### 5. TAXATION

	Six months ended 30 June	
	2012 US\$'000	2011 US\$'000
Current taxation:		
PRC	233	2,458
Taiwan	1	1
<b>Taxation attributable to the Group</b>	<b>234</b>	2,459

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods. No Hong Kong Profit Tax is made in the consolidated financial statement as there is no assessable profit for both periods.

At 30 June 2011, the Group reached a settlement agreement with a People's Republic of China ("PRC") tax authority regarding the Group's transfer pricing arrangements for previous years, resulting in payment of Enterprise Income Tax ("EIT") of approximately US\$2,458,000 which was charged to profit or loss for the period ended 30 June 2011.

The relevant tax rates for the Group's subsidiaries in the PRC are 25% for the current and prior periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 6. DIVIDENDS

On 8 June 2012, a dividend of 0.5 HK cent per share was paid to shareholders as the final dividend for 2011 (2011: 0.5 HK cent per share in respect of the year ended 31 December 2010).

The directors have determined that an interim dividend of 0.5 HK cent per share (2011: 0.5 HK cent) should be paid to the shareholders of the Company whose name appear on the Register of Member on 18 September 2012.

## 7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit attributable to owners of the Company of US\$1,119,000 (six months ended 30 June 2011: loss of US\$1,259,000) and on 730,700,000 (2011: 730,700,000) ordinary shares in issue during the year.

There are no potential ordinary shares outstanding for each of the two periods ended 30 June 2012.

## 8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$253,000 (six months ended 30 June 2011: US\$558,000) on additions to property, plant and equipment.

## 9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting date:

	<b>30 June 2012 US\$'000</b>	31 December 2011 US\$'000
0-30 days	5,667	9,589
31-60 days	1,238	1,289
Over 60 days	59	122
Total trade receivables	<b>6,964</b>	11,000
Other receivables	<b>4,345</b>	3,889
	<b>11,309</b>	14,889

**10. TRADE AND OTHER PAYABLES**

The following is an aged analysis of the Group's trade payables presented based on invoice date at the end of the reporting date:

	<b>30 June 2012</b>	31 December 2011
	<b>US\$'000</b>	US\$'000
0-30 days	<b>2,716</b>	3,752
31-60 days	<b>118</b>	177
Over 60 days	<b>297</b>	210
Total trade payables	<b>3,131</b>	4,139
Other payables	<b>6,111</b>	6,509
	<b>9,242</b>	10,648

**11. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount US\$'000</b>
<i>Authorised</i>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1 January, 2011, 31 December 2011 and 30 June 2012	1,500,000,000	19,355
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1 January 2011, 31 December 2011 and 30 June 2012	150	15,000
		34,355
<i>Issued and fully paid</i>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1 January 2011, 31 December 2011 and 30 June 2012	730,700,000	9,428

**12. COMMITMENTS**

At 30 June 2011, the Group had entered into agreements with licensors to obtain licenses to use certain materials and trademarks in a number of merchandising activities. The minimum royalties payable to the licensors for the remaining contract periods at 30 June 2011 amounted to US\$219,000. The Group did not renew agreements after the completion of the contract periods and no royalties payable to the licensors at 30 June 2012.

## INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 0.5 HK cent per ordinary share for the six months ended 30 June 2012 to shareholders whose names appear on the register of members on 18 September 2012. The dividend warrants will be sent to shareholders on or before 25 September 2012.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 14 September 2012 to Tuesday, 18 September 2012, 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, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 13 September 2012.

## FINANCIAL REVIEW

During the six months ended 30 June 2012, the Group continued to concentrate on the manufacture and sales of footwear products. For the six months ended 30 June 2012, the Group achieved a turnover of US\$63,032,000 (2011: US\$63,896,000) compared with the six months ended 30 June 2011, the turnover slightly dropped by 1.4%.

Profit before taxation of the Group for the six months ended 30 June 2012 was US\$1,353,000 (2011: US\$1,200,000), an increase of US\$153,000 as compared to the corresponding period in 2011. After accounting for income taxes of US\$234,000 (2011: US\$2,459,000), resulted a profit after taxation of US\$1,119,000 (2011: loss after taxation: US\$1,259,000).

Basic earnings per share for the six months ended 30 June 2012 was 0.153 US cent (basic loss per share for 2011: 0.172 US cent). The gross profit margin decreased to 15% due to the increasing production cost during the current period.

## BUSINESS REVIEW AND FUTURE PROSPECTS

### Manufacturing Industry

Economic weakness in US and European countries has resulted in a shrinkage in the export market of the southeast Asian countries, while reforming rules and regulations and increasing material and labour costs in China are exerting great pressure on the manufacturing industry. The Group has made every effort to strive for success in this rapid changing environment, and we are able to maintain a stable volume of export. Moreover, the Group will continue to cohere our strength in the industry expertise, talented management and staff, product excellence, customer relations and well established network and facilities to guarantee competitiveness. A sound and prudence financial management is always the key for our sustainable development.

### Domestic Market

After years of exploring in the China market, we are facing the challenge of increasing number of market competitors and tightening local regulations, and the Group is now adopting a robust strategy in domestic development. Nevertheless, the Group established a solid foundation including sale channels, experienced marketing executives as well as acquired own brands and international brands such as Magic House and OshKosh B' Gosh. By sharpening our competitive edges, we are confident that the Group can achieve reasonable returns in the China market.

### Future Prospects

We foresee the worldwide economy will keep on unstable, remaining a lot of uncertainties for the manufacturing industry in the coming period. Planning ahead for the tough journey, the Group will maintain the strategy of providing quality products and enhancing customer satisfaction, stick to a lean operation and production philosophy and maintain a healthy financial position.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group's total net assets was US\$122,448,000, comprising mainly current assets of US\$69,085,000, non-current assets of US\$68,389,000 current liabilities of US\$11,552,000 and non-current liability of US\$3,474,000. The current ratio was approximately 5.98 times and net bank balances and cash of US\$21,562,000 was recorded as at 30 June 2012. The Group services its debts primarily through cashflow generated from its operation. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2012, the interests of the directors and their associates in the share, underlying share or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinances (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

### Long positions

(a) *Ordinary shares of HK\$0.10 each of the Company*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Wu Jenn Chang, Michael	Beneficial owner	8,000,000	1.09%
Wu Jenn Tzong, Jackson	Beneficial owner	1,000,000	0.14%
		9,000,000	1.23%

**DIRECTORS' INTERESTS IN SHARES** *(Continued)***Long positions** *(Continued)**(b) Ordinary shares of the associated corporations of the Company*

Pegasus Footgear Management Limited (note 1)

<b>Name of director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the associated corporation</b>
Wu Chen San, Thomas	Beneficial owner (note 2)	3,235	16%
Wu Jenn Chang, Michael	Corporate (note 3)	6,470	32%
Wu Jenn Tzong, Jackson	Corporate (note 4)	6,470	32%
		16,175	80%

Notes:

1. Pegasus Footgear Management Limited is the holding company of the Company.
2. The shares are jointly held by Mr. Wu Chen San, Thomas and Mrs. Peggy Wu, the spouse of Mr. Wu Chen San, Thomas.
3. The shares are entirely held by M.W. Investment Limited, a company owned by Mr. Wu Jenn Chang, Michael.
4. The shares are entirely held by J.W. Investment Limited, a company owned by Mr. Wu Jenn Tzong, Jackson.

Save as disclosed above, at 30 June 2012, none of the directors nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation.

**ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the period was the Company, its holding company, 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed in “Directors’ Interests in Shares”, the following shareholder had notified the Company of relevant interest in the issued share capital of the Company.

### Long position

*Ordinary shares of HK\$0.10 each of the Company*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company %</b>
Pegasus Footgear Management Limited (note)	Beneficial owner	468,743,940	64

Note: Details of the directors’ interests in Pegasus Footgear Management Limited are disclosed under the section headed “Directors’ Interests in Shares”.

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 30 June 2011.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30 June 2012 with the code provisions set out in the Code on Governance Report contained in Appendix 14 to the Listing Rules.



## COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exact than the required standard set out in Appendix 10 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, all directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

## 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  
**Wu Chen San, Thomas**  
*Chairman*

Hong Kong, 24 August 2012

