



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 2013 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 2013 with comparative figures for the corresponding period in 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended	
		30 June	
		2013	2012
		(unaudited)	(unaudited)
	NOTES	US\$'000	US\$'000
Revenue		47,228	63,032
Cost of sales		(39,190)	(53,499)
Gross profit		8,038	9,533
Other income		648	203
Selling and distribution costs		(3,160)	(4,269)
Administrative expenses		(4,165)	(4,123)
Share of (loss) profit of an associate		(23)	39
Interest on bank borrowings wholly repayable within five years		(1)	(30)
Profit before taxation		1,337	1,353
Taxation	5	(242)	(234)
Profit for the period		1,095	1,119
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operations		(1,128)	(1,313)
Total comprehensive expense for the period		(33)	(194)
Earnings per share	7		
Basic		0.150 US cent	0.153 US cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	At 30 June 2013 (unaudited) US\$'000	At 31 December 2012 (audited) US\$'000
Non-current assets			
Property, plant and equipment	8	56,739	57,139
Prepaid lease payments		5,683	5,778
Interests in an associate		658	681
		63,080	63,598
Current assets			
Inventories		25,641	36,677
Trade and other receivables	9	7,268	11,695
Prepaid lease payments		179	176
Held for trading investments		595	606
Bank balances and cash		33,713	21,902
		67,396	71,056
Current liabilities			
Trade and other payables	10	5,503	7,514
Tax payable		439	260
Unsecured bank borrowings – due within one year		–	428
		5,942	8,202
Net current assets		61,454	62,854
		124,534	126,452
Capital and reserves			
Share capital	11	9,428	9,428
Share premium and reserves		112,210	114,128
Total equity		121,638	123,556
Non-current liability			
Deferred tax liabilities		2,896	2,896
		124,534	126,452

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	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 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
At 1 January 2013	9,428	21,644	5,830	(4,512)	23,881	67,285	123,556
Profit for the period	-	-	-	-	-	1,095	1,095
Exchange differences arising on translation of foreign operations	-	-	-	-	(1,128)	-	(1,128)
Total comprehensive expense for the period	-	-	-	-	(1,128)	1,095	(33)
Final dividends paid for 2012	-	-	-	-	-	(1,885)	(1,885)
As 30 June 2013	9,428	21,644	5,830	(4,512)	22,753	66,495	121,638

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2013*

	Six months ended	
	30 June	
	2013	2012
	(unaudited)	(unaudited)
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Cash generated from operations	14,996	18,938
Taxation in other jurisdictions paid	(63)	–
NET CASH FROM OPERATING ACTIVITIES	14,933	18,938
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(979)	(253)
Interest received	171	88
NET CASH USED IN INVESTING ACTIVITIES	(808)	(165)
FINANCING ACTIVITIES		
Repayment of bank loans	(428)	(2,377)
Dividends paid	(1,885)	(471)
Interest paid	(1)	(30)
NET CASH USED IN FINANCING ACTIVITIES	(2,314)	(2,878)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,811	15,895
CASH AND CASH EQUIVALENTS AT 1 JANUARY	21,902	7,432
CASH AND CASH EQUIVALENTS AT 30 JUNE REPRESENTED BY BANK BALANCES AND CASH	33,713	23,327

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 2013 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for the current interim period.

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

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 and hence no analysis of segment assets and segment liabilities are presented.

Six months ended 30 June 2013

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
REVENUE					
External sales of goods	29,618	10,972	4,467	2,171	47,228
RESULTS					
Segment results	5,058	1,403	594	265	7,320
Unallocated income					477
Interest income					171
Unallocated expenses					(6,607)
Share of loss of an associate					(23)
Interest on bank borrowings wholly repayable within five years					(1)
Profit before taxation					1,337
Taxation					(242)
Profit for the period					1,095

3. SEGMENT INFORMATION *(Continued)**Six months ended 30 June 2012*

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
REVENUE					
External sales of goods	33,875	21,293	5,736	2,128	63,032
RESULTS					
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

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
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Profit before taxation has been arrived at after charging:		
Directors' emoluments	200	195
Other staff costs	14,111	16,587
Retirement benefits scheme contributions (excluding contributions in respect of directors)	1,083	966
	<hr/>	
Total staff costs	15,394	17,748
Auditors' remuneration	71	74
Depreciation of property, plant and equipment	1,379	1,488
and after crediting to other income:		
Interest income	171	88
	<hr/>	

5. TAXATION

	Six months ended 30 June	
	2013	2012
	US\$'000	US\$'000
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Current taxation:		
People's Republic of China ("PRC")	241	233
Taiwan	1	1
	<hr/>	
Taxation attributable to the Group	242	234
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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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

6. DIVIDENDS

On 7 June 2013, a dividend of 2.0 HK cents per share was paid to shareholders as the final dividend for 2012 (2012: 0.5 HK cent per share in respect of the year ended 31 December 2011).

The directors have determined that an interim dividend of 1.0 HK cent per share (2012: 0.5 HK cent) should be paid to the shareholders of the Company whose name appear on the Register of Member on 13 September 2013.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of US\$1,095,000 (six months ended 30 June 2012: US\$1,119,000) and on 730,700,000 (2012: 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 2013.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$979,000 (six months ended 30 June 2012: US\$253,000) 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:

	30 June 2013 US\$'000	31 December 2012 US\$'000
0-30 days	4,777	7,990
31-60 days	729	1,214
Over 60 days	49	91
Total trade receivables	5,555	9,295
Other receivables	1,713	2,400
	7,268	11,695

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:

	30 June 2013	31 December 2012
	US\$'000	US\$'000
0-30 days	256	1,775
31-60 days	34	116
Over 60 days	211	217
Total trade payables	501	2,108
Other payables	5,002	5,406
	5,503	7,514

11. SHARE CAPITAL

	Number of shares	Amount US\$'000
<i>Authorised</i>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1 January 2012, 31 December 2012 and 30 June 2013	1,500,000,000	19,355
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1 January 2012, 31 December 2012 and 30 June 2013	150	15,000
		34,355
<i>Issued and fully paid</i>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1 January 2012, 31 December 2012 and 30 June 2013	730,700,000	9,428

12. COMMITMENTS

At 30 June 2013, the Group had capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements amounted to US\$42,000 (2012: Nil).

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 1.0 HK cent per ordinary share for the six months ended 30 June 2013 to shareholders whose names appear on the register of members on 13 September 2013. The dividend warrants will be sent to shareholders on or before 19 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11 September 2013 to Friday, 13 September 2013, 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 Tuesday, 10 September 2013.

FINANCIAL REVIEW

During the six months ended 30 June 2013, the Group continued to concentrate on the manufacture and sales of footwear products. For the six months ended 30 June 2013, the Group achieved a turnover of US\$47,228,000 (2012: US\$63,032,000) compared with the six months ended 30 June 2012, the turnover dropped by 25%.

Profit before taxation of the Group for the six months ended 30 June 2013 was US\$1,337,000 (2012: US\$1,353,000), a decrease of US\$16,000 as compared to the corresponding period in 2012. After accounting for income taxes of US\$242,000 (2012: US\$234,000), resulted a profit after taxation of US\$1,095,000 (2012: US\$1,119,000).

Basic earnings per share for the six months ended 30 June 2013 was 0.150 US cent (2012: 0.153 US cent). The gross profit margin increased to 17% during the current period.

BUSINESS REVIEW AND FUTURE PROSPECTS

BUSINESS REVIEW

The worldwide economy remained unstable during 2013, puzzled customers in different countries are conservative in spending, export manufacturers are facing great pressure in export revenue. Moreover, various costs in China such as the increasing minimum hourly wage and staff welfare put another heavier burden to corporations. The Group is confident that the well-established foundation and high quality products is the key to survive in this tough environment, we continue to work closely with our business partners, and consolidate our experience and strength. The Group also implemented a comprehensive cost control policy to monitor the spending, aiming at a better margin to the stakeholders.

Domestic Market

The growth in domestic market has slowed down and started to saturated in recent years, and the intensified competition is a big challenge to all market participants. The Group has accumulated market experience and sale channels in the domestic market, but we will maintain conservatives in our strategy and slow down our development in China.

FUTURE PROSPECTS

In light of the rapid and unpredictable market changes, the Group will encounter a lot of challenges during the journey. Improving ourselves, monitoring the costs and product quality is our top priority. Moreover, we always maintain a strong financial position so that the Group can respond swiftly to the changing environment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group's total net assets was US\$121,638,000, comprising mainly current assets of US\$67,396,000, non-current assets of US\$63,080,000 current liabilities of US\$5,942,000 and non-current liability of US\$2,896,000. The current ratio was approximately 11.34 times and net bank balances and cash of US\$33,713,000 was recorded as at 30 June 2013. 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 2013, 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*

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
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)

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the associated corporation
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 2013, 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 2013, 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

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company %
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 2013.

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

During the six months ended 30 June 2013, 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 2013 with the code provisions set out in the Corporate Governance Code 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, 27 August 2013

