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PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 676)

ANNOUNCEMENTS OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2016

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 2016 with comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

| | NOTES | Six months ended 30 June | |
|---|-------|---------------------------------|---------------------------------|
| | | 2016 (unaudited) US\$'000 | 2015 (unaudited) US\$'000 |
| Revenue | | 43,466 | 47,259 |
| Cost of sales | | (38,055) | (40,714) |
| Gross profit | | 5,411 | 6,545 |
| Other income | | 1,242 | 538 |
| Selling expenses | | (1,584) | (1,799) |
| Administrative expenses | | (4,065) | (3,950) |
| Share of profit (loss) of an associate | | 32 | (5) |
| Profit before taxation | | 1,036 | 1,329 |
| Taxation | 5 | (145) | (163) |
| Profit for the period | | 891 | 1,166 |
| Other comprehensive (expense) income: | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | (3,495) | 285 |
| Total comprehensive (expense) income for the period attributable to owners of the Company | | (2,604) | 1,451 |
| Earnings per share | 7 | | |
| Basic | | 0.12 US cents | 0.160 US cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

| | <i>NOTES</i> | At 30 June 2016 (unaudited) US\$'000 | At 31 December 2015 (audited) US\$'000 |
|-------------------------------|--------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 49,757 | 51,556 |
| Prepaid lease payments | | 4,895 | 5,135 |
| Interests in an associate | | 619 | 587 |
| | | <u>55,271</u> | <u>57,278</u> |
| Current assets | | | |
| Inventories | | 12,704 | 21,130 |
| Trade and other receivables | 9 | 2,916 | 8,653 |
| Prepaid lease payments | | 171 | 176 |
| Held for trading investments | | 409 | 534 |
| Bank balances and cash | | 24,880 | 13,462 |
| | | <u>41,080</u> | <u>43,955</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 6,716 | 8,044 |
| Tax payable | | 401 | 409 |
| | | <u>7,117</u> | <u>8,453</u> |
| Net current assets | | <u>33,963</u> | <u>35,502</u> |
| | | <u>89,234</u> | <u>92,780</u> |
| Capital and reserves | | | |
| Share capital | 11 | 9,428 | 9,428 |
| Share premium and reserves | | 76,870 | 80,416 |
| Total equity | | <u>86,298</u> | <u>89,844</u> |
| Non-current liability | | | |
| Deferred tax liabilities | | 2,936 | 2,936 |
| | | <u>89,234</u> | <u>92,780</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountant as well as 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”).

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 and methods of computation used in the condensed consolidated financial statements for the six month ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

During the period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current interim period.

The application of the above new Interpretation and amendments to 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, Asia, Europe and other regions. However, the chief operating decision maker does not regularly review the assets and liabilities by operating segments and hence no analysis of segment assets and segment liabilities are presented.

Six months ended 30 June 2016

| | North America US\$'000 | Asia US\$'000 | Europe US\$'000 | Others US\$'000 | Consolidated US\$'000 |
|---------------------------------|---------------------------------------|--------------------------|----------------------------|----------------------------|----------------------------------|
| REVENUE | | | | | |
| External sales of goods | 26,702 | 10,822 | 4,778 | 1,164 | 43,466 |
| RESULTS | | | | | |
| Segment results | 4,027 | 763 | 487 | 99 | 5,376 |
| Unallocated income | | | | | 1,205 |
| Interest income | | | | | 37 |
| Unallocated expenses | | | | | 5,614 |
| Share of profit of an associate | | | | | 32 |
| Profit before taxation | | | | | 1,036 |
| Taxation | | | | | (145) |
| Profit for the period | | | | | 891 |

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2015

| | North America US\$ '000 | Asia US\$ '000 | Europe US\$ '000 | Others US\$ '000 | Consolidated US\$ '000 |
|-------------------------------|-------------------------------|-------------------|---------------------|---------------------|---------------------------|
| REVENUE | | | | | |
| External sales of goods | 32,583 | 8,711 | 4,639 | 1,326 | 47,259 |
| RESULTS | | | | | |
| Segment results | 5,352 | 615 | 345 | 102 | 6,414 |
| Unallocated income | | | | | 359 |
| Interest income | | | | | 179 |
| Unallocated expenses | | | | | (5,618) |
| Share of loss of an associate | | | | | (5) |
| Profit before taxation | | | | | 1,329 |
| Taxation | | | | | (163) |
| Profit for the period | | | | | 1,166 |

4. PROFIT BEFORE TAXATION

Six months ended
30 June
2016 2015
US\$ '000 **US\$ '000**

Profit before taxation has been arrived at after charging:

| | | |
|---|--------|--------|
| Directors' emoluments | 221 | 213 |
| Other staff costs | 16,105 | 14,521 |
| Retirement benefits scheme contributions (excluding contributions in respect of directors) | 2,218 | 1,063 |
| Total staff costs | 18,544 | 15,797 |
| Auditors' remuneration | 86 | 72 |
| Depreciation of property, plant and equipment | 1,136 | 1,550 |
| and after crediting to other income: | | |
| Interest income | 37 | 179 |

5. TAXATION

| Six months ended | |
|-------------------------|-----------------|
| 30 June | |
| 2016 | 2015 |
| US\$'000 | US\$'000 |

Current taxation:

People's Republic of China ("PRC")

| | |
|------------|------------|
| 145 | 163 |
|------------|------------|

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.

6. DIVIDENDS

The directors have determined that an interim dividend of 1.0 HK cent per share (2015: an interim dividend of 4.0 HK cent per share) should be paid to the shareholders of the Company whose name appear on the Register of Member on 28 September 2016.

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\$891,000 (six months ended 30 June 2015: US\$1,166,000) and on the weighted average number of ordinary shares of 730,650,000 (2015: 730,650,000) in issue during the period.

There are no potential ordinary shares outstanding for six months ended 30 June 2015 and 2016.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$749,000 (six months ended 30 June 2015: US\$294,000) 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 2016 US\$'000 | 31 December 2015 US\$'000 |
|-----------------------------------|--------------------------------------|---------------------------------|
| 0-30 days | 2,068 | 6,335 |
| 31-60 days | 48 | 656 |
| Over 60 days | 33 | 148 |
| | <hr/> | <hr/> |
| Total trade receivables | 2,149 | 7,139 |
| Other receivables | 767 | 1,514 |
| | <hr/> | <hr/> |
| Total trade and other receivables | 2,916 | 8,653 |
| | <hr/> <hr/> | <hr/> <hr/> |

10. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age presented based on invoice date at the end of the reporting date:

| | 30 June 2016 US\$'000 | 31 December 2015 US\$'000 |
|--------------------------------|--------------------------------------|---------------------------------|
| 0-30 days | 1,704 | 1,863 |
| 31-60 days | 296 | 702 |
| Over 60 days | 619 | 498 |
| | <hr/> | <hr/> |
| Total trade payables | 2,619 | 3,063 |
| Other payables | 4,097 | 4,981 |
| | <hr/> | <hr/> |
| Total trade and other payables | 6,716 | 8,044 |
| | <hr/> <hr/> | <hr/> <hr/> |

11. SHARE CAPITAL

| | Number of shares | Amount US\$'000 |
|---|-----------------------------|----------------------------|
| Authorised | | |
| <i>Ordinary shares of HK\$0.10 each</i> | | |
| At 1 January 2015, 31 December 2015 and 30 June 2016 | 1,500,000,000 | 19,355 |
| | <u>1,500,000,000</u> | <u>19,355</u> |
| <i>Convertible non-voting preference shares of US\$100,000 each</i> | | |
| At 1 January 2015, 31 December 2015 and 30 June 2016 | 150 | 15,000 |
| | <u>150</u> | <u>15,000</u> |
| | | <u>34,355</u> |
| Issued and fully paid | | |
| <i>Ordinary shares of HK\$0.10 each</i> | | |
| At 1 January 2015, 31 December 2015 and 30 June 2016 | 730,650,000 | 9,428 |
| | <u>730,650,000</u> | <u>9,428</u> |

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 2016 to shareholders whose names appear on the register of members on 28 September 2016. The dividend warrants will be sent to shareholders on or before 14 October 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 September 2016 to Wednesday, 28 September 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 23 September 2016.

FINANCIAL REVIEW

During the six months ended 30 June 2016, the Group continued to concentrate on the manufacture and sales of footwear products. For the six months ended 30 June 2016, the Group achieved a turnover of US\$43,466,000 (six months ended 30 June 2015: US\$47,259,000) compared with the six months ended 30 June 2015, the turnover decreased by 8%.

Profit before taxation of the Group for the six months ended 30 June 2016 was US\$1,036,000 (six months ended 30 June 2015: US\$1,329,000), a decrease of US\$293,000 as compared to the corresponding period in 2015. After accounting for income taxes of US\$145,000 (six months ended 30 June 2015: US\$163,000), resulted a profit after taxation of US\$891,000 (six months ended 30 June 2015: US\$1,166,000).

Basic earnings per share for the six months ended 30 June 2016 was 0.12 US cents (six months ended 30 June 2015: 0.160 US cents). The gross profit margin is 12.5% during the current period.

BUSINESS REVIEW AND FUTURE PROSPECTS

BUSINESS REVIEW

Looking back to the first half of 2016, the worldwide economy remained unstable and the pace of Chinese economic growth remained slow, with the consumer's consumption habits tending to be conservative, first-half growth was markedly slower than the last year. Moreover, various costs in China such as the increase in minimum wage and staff welfare put another heavier burden to corporations. The Group is confident that the well-established foundation and high quality products are 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 remains slow and has 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

The year of 2016 will see the economic tendency of slow recovery in the major consumption markets. With continuous internal improvements, coupled with strict cost control and quality assurance, we believe that our performance should have an optimistic growth in the future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's total net assets was US\$89,234,000, comprising mainly current assets of US\$41,080,000, non-current assets of US\$55,271,000, current liabilities of US\$7,117,000 and non-current liability of US\$2,936,000. The current ratio was approximately 5.77 times and net bank balances and cash of US\$24,880,000 was recorded as at 30 June 2016. 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.

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

During the six months ended 30 June 2016, 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 with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2016.

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 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, with the management.

By Order of the Board
Wu Chen San, Thomas
Chairman

Hong Kong, 26 August 2016

List of all Directors of the Company as of the date of this announcement:–

Executive Directors:

Wu Chen San, Thomas (*Chairman*)

Wu Jenn Chang, Michael
(*Deputy Chairman*)

Wu Jenn Tzong, Jackson

Ho Chin Fa, Steven

Independent Non-executive Directors:

Lai Jenn Yang, Jeffrey

Liu Chung Kang, Helios

Huang Hung Ching

The electronic version of this announcement will be published on the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.pegasusinternationalholdings.com).