



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 2016 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 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	0.16 US cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 (unaudited) US\$'000	At 31 December 2015 (audited) US\$'000
	NOTES		
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
		55,271	57,278
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
		41,080	43,955
Current liabilities			
Trade and other payables	10	6,716	8,044
Tax payable		401	409
		7,117	8,453
Net current assets			
		33,963	35,502
		89,234	92,780
Capital and reserves			
Share capital	11	9,428	9,428
Share premium and reserves		76,870	80,416
Total equity			
		86,298	89,844
Non-current liability			
Deferred tax liabilities		2,936	2,936
		89,234	92,780

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital	Share premium	Properties revaluation reserve	Merger reserve	Translation reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015	9,428	21,637	6,459	(4,512)	23,218	63,462	119,692
Profit for the period	-	-	-	-	-	1,166	1,166
Exchange differences on translating foreign operations	-	-	-	-	285	-	285
Total comprehensive income for the period	-	-	-	-	285	1,166	1,451
Final dividends paid for 2014	-	-	-	-	-	(2,828)	(2,828)
As 30 June 2015	9,428	21,637	6,459	(4,512)	23,503	61,800	118,315
At 1 January 2016	9,428	21,637	6,117	(4,512)	17,841	39,333	89,844
Profit for the period	-	-	-	-	-	891	891
Exchange differences on translating foreign operations	-	-	-	-	(3,495)	-	(3,495)
Total comprehensive (expense) income for the period	-	-	-	-	(3,495)	891	(2,604)
Final dividends paid for 2015	-	-	-	-	-	(942)	(942)
As 30 June 2016	9,428	21,637	6,117	(4,512)	14,346	39,282	86,298

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2016*

	Six months ended	
	30 June	
	2016	2015
	(unaudited)	(unaudited)
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Cash generated from operations	13,217	20,861
Taxation in other jurisdictions paid	(145)	(162)
NET CASH FROM OPERATING ACTIVITIES	13,072	20,699
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(749)	(294)
Interest received	37	179
NET CASH USED IN INVESTING ACTIVITIES	(712)	(115)
NET CASH USED IN FINANCING ACTIVITIES		
Dividends paid	(942)	(2,828)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,418	17,756
CASH AND CASH EQUIVALENTS AT 1 JANUARY	13,462	27,517
CASH AND CASH EQUIVALENTS AT 30 JUNE REPRESENTED BY BANK BALANCES AND CASH	24,880	45,273

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 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
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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
	<hr/>	
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
	<hr/>	

5. TAXATION

	Six months ended 30 June	
	2016	2015
	US\$'000	US\$'000
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Current taxation:		
People's Republic of China ("PRC")	145	163
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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 and 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 period:

	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
Total trade receivables	2,149	7,139
Other receivables	767	1,514
Total trade and other receivables	2,916	8,653

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 period:

	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
Total trade payables	2,619	3,063
Other payables	4,097	4,981
Total trade and other payables	6,716	8,044

11. SHARE CAPITAL

	Number of shares	Amount US\$'000
<i>Authorised</i>		
<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
<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
		34,355
<i>Issued and fully paid</i>		
<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

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 saturate 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 conservatism 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.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2016, the interests of the directors and their associates in the shares, underlying shares 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 Issuers, 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 MW Investment Limited, a company owned by Mr. Wu Jenn Chang, Michael.
4. The shares are entirely held by JW Investment Limited, a company owned by Mr. Wu Jenn Tzong, Jackson.

Save as disclosed above, at 30 June 2016, 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 any of its 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 2016, 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 2016.

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

