



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 2009 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 30th June, 2009 with comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

		Six months ended 30th June,	
		2009	2008
		(unaudited)	(unaudited)
	NOTES	US\$'000	US\$'000
Revenue		58,548	78,952
Cost of sales		(49,433)	(65,897)
Gross profit		9,115	13,055
Other income		158	315
Selling and distribution costs		(4,007)	(4,641)
Administrative expenses		(4,129)	(6,268)
Share of profit (loss) of an associate		3	(79)
Share of loss of a jointly controlled entity		(225)	(52)
Interest on bank borrowings wholly repayable within five years		(129)	(500)
Profit before taxation		786	1,830
Taxation	5	(157)	(291)
Profit for the period		629	1,539
Other comprehensive income			
Exchange differences arising on translation of foreign operation		(302)	3,404
Share of reserve of a jointly controlled entity		–	32
Other comprehensive (loss) income for the period		(302)	3,436
Total comprehensive income for the period		327	4,975
Dividends paid	6	–	935
Earnings per share	7		
Basic		0.09 US cent	0.21 US cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

	NOTES	At 30th June, 2009 (unaudited) US\$'000	At 31st December, 2008 (audited) US\$'000
Non-current assets			
Property, plant and equipment	8	62,693	65,436
Prepaid lease payments		6,144	6,226
Interests in an associate		610	606
Interests in a jointly controlled entity		1,613	1,942
		71,060	74,210
Current assets			
Prepaid lease payments		165	165
Inventories		46,249	53,858
Trade and other receivables	9	6,214	11,123
Amount due from an associate		–	2
Bank balances and cash		22,043	12,856
		74,671	78,004
Current liabilities			
Trade and other payables	10	11,749	14,280
Tax payable		1,164	1,011
Unsecured bank borrowings – due within one year		6,867	8,095
Derivative financial instruments		–	159
		19,780	23,545
Net current assets		54,891	54,459
		125,951	128,669
Capital and reserves			
Share capital	11	9,428	9,428
Share premium and reserves		110,225	109,898
Total equity		119,653	119,326
Non-current liabilities			
Unsecured bank borrowings – due after one year		3,820	6,865
Deferred tax liabilities		2,478	2,478
		6,298	9,343
		125,951	128,669

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Share capital US\$'000	Share premium US\$'000	Revaluation reserve US\$'000	Merger reserve US\$'000	Translation reserve US\$'000	Dividend reserve US\$'000	Retained profits US\$'000	Total US\$'000
At 1st January, 2008	9,428	21,644	5,589	(4,512)	7,193	935	71,877	112,154
Profit for the period	-	-	-	-	-	-	1,539	1,539
Exchange differences arising on translation of foreign operations	-	-	-	-	3,404	-	-	3,404
Share of reserve of a jointly controlled entity	-	-	-	-	32	-	-	32
Total comprehensive income for the period	-	-	-	-	3,436	-	1,539	4,975
Final dividends paid for 2007	-	-	-	-	-	(935)	-	(935)
Interim dividends proposed for 2008	-	-	-	-	-	468	(468)	-
As 30th June, 2008	9,428	21,644	5,589	(4,512)	10,629	468	72,948	116,194
At 1st January, 2009	9,428	21,644	5,427	(4,512)	14,364	-	72,975	119,326
Profit for the period	-	-	-	-	-	-	629	629
Exchange differences arising on translation of foreign operations	-	-	-	-	(302)	-	-	(302)
Total comprehensive income for the period	-	-	-	-	(302)	-	629	327
As 30th June, 2009	9,428	21,644	5,427	(4,512)	14,062	-	73,604	119,653

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30th June, 2009*

	Six months ended	
	30th June	
	2009	2008
	(unaudited)	(unaudited)
	US\$'000	US\$'000
OPERATING ACTIVITIES		
Cash generated from operations	13,909	8,597
Taxation in other jurisdictions paid	(4)	(248)
NET CASH FROM OPERATING ACTIVITIES	13,905	8,349
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(381)	(558)
Interest received	65	96
NET CASH USED IN INVESTING ACTIVITIES	(316)	(462)
FINANCING ACTIVITIES		
Repayment of bank loans	(4,220)	(4,950)
Dividends paid	–	(935)
Interest paid	(129)	(500)
Net (decrease) increase in trust receipts loans	(53)	535
NET CASH USED IN FINANCING ACTIVITIES	(4,402)	(5,850)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,187	2,037
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	12,856	11,395
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	(86)
CASH AND CASH EQUIVALENTS AT 30TH JUNE, REPRESENTED BY BANK BALANCES AND CASH	22,043	13,346

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 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008.

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 2009.

Presentation of financial statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. The adoption of HKAS 1 (Revised 2007), however, has no impact on the reported results on financial position of the Group.

Segment information

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach.

The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The Group’s segment information was consistently reported as geographical segments by location of customers (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 management purposes, the Group is currently organised into three major geographical segments based on the location of its customers. These segments are the basis on which the Group reports its primary segment information.

The following is an analysis of the Group's sales by geographical market based on the destination of the goods shipped or delivered, irrespective of the origin of the goods.

Six months ended 30th June, 2009

	North America	Asia	Europe	Others	Consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
REVENUE					
External sales of goods	24,669	20,054	11,607	2,218	58,548
RESULTS					
Segment results	3,005	1,978	1,414	270	6,667
Other income					158
Unallocated corporate expenses					(5,688)
Share of profit of an associate					3
Share of loss of a jointly controlled entity					(225)
Interest on bank borrowings wholly repayable within five years					(129)
Profit before taxation					786
Taxation					(157)
Profit for the period					629

3. SEGMENT INFORMATION *(Continued)**Six months ended 30th June, 2008*

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
REVENUE					
External sales of goods	36,871	18,064	21,840	2,177	78,952
RESULTS					
Segment results	5,301	1,893	3,140	314	10,648
Other income					315
Unallocated corporate expenses					(8,502)
Share of loss of an associate					(79)
Share of loss of a jointly controlled entity					(52)
Interest on bank borrowings wholly repayable within five years					(500)
Profit before taxation					1,830
Taxation					(291)
Profit for the period					1,539

4. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2009	2008
	US\$'000	US\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	232	481
Other staff costs	15,179	21,363
Retirement benefits scheme contributions (excluding contributions in respect of directors)	1,031	1,255
Total staff costs	16,442	23,099
Auditors' remuneration	72	72
Depreciation of property, plant and equipment	3,124	3,365
and after crediting to other income:		
Interest income	65	96

5. TAXATION

	Six months ended 30th June,	
	2009	2008
	US\$'000	US\$'000
Current taxation:		
Hong Kong	–	1
PRC	156	289
Taiwan	1	1
Taxation attributable to the Group	157	291

5. TAXATION *(Continued)*

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods.

The relevant tax rates for the Group's subsidiaries in the People's Republic of China 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

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend.

7. EARNINGS PER SHARE

For the six months ended 30th June, 2009, the calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of US\$629,000 (six months ended 30th June, 2008: US\$1,539,000) and on the weighted average number of 730,700,000 (2008: 730,700,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30th June, 2009 and 2008 have been presented because there are no potential dilutive ordinary shares outstanding.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$381,000 (six months ended 30th June, 2008: 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 the Group's trade receivables net of allowance for doubtful debts at the reporting date:

	30th June, 2009	31st December, 2008
	US\$'000	US\$'000
0-30 days	3,665	8,070
31-60 days	143	1,166
Over 60 days	184	126
Total trade receivables	3,992	9,362
Other receivables	2,222	1,761
	6,214	11,123

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the reporting date:

	30th June, 2009	31st December, 2008
	US\$'000	US\$'000
0-30 days	3,666	3,829
31-60 days	532	661
Over 60 days	560	557
Total trade payables	4,758	5,047
Other payables	6,991	9,233
	11,749	14,280

11. SHARE CAPITAL

	Number of shares	Amount US\$'000
<i>Authorised</i>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2008, 31st December, 2008 and 30th June, 2009	1,500,000,000	19,355
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1st January, 2008, 31st December, 2008 and 30th June, 2009	150	15,000
		34,355
<i>Issued and fully paid</i>		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2008, 31st December, 2008 and 30th June, 2009	730,700,000	9,428

12. COMMITMENTS

	30th June, 2009 US\$'000	31st December, 2008 US\$'000
Contracted for but not provided in the financial statements:		
– use of copyright licence (note)	489	144

Note: The Group entered into agreements with licensors to obtain licenses to use certain materials and trademarks in a number of merchandising activities for several years. Pursuant to the agreements, the Group agreed to pay royalties to the licensors which are based on certain fixed percentages of the selling prices for items sold.

FINANCIAL REVIEW

During the six months ended 30th June, 2009, the Group continued to concentrate on the manufacture and sales of footwear products. For the six months ended 30th June, 2009, the Group achieved a turnover of US\$58,548,000 (2008: US\$78,952,000) despite the continuously changing operating environment.

Profit of the Group for the six months ended 30th June, 2009 was US\$629,000 (2008: US\$1,539,000). Basic earnings per share for the six months ended 30th June, 2009 was 0.09 US cents (2008: 0.21 US cents). The group maintained its gross profit margin at approximately 16% for both periods.

BUSINESS REVIEW AND FUTURE PROSPECTS

Manufacturing Industry

2009 is a hard time for every corporation, the storm of financial crisis erodes the consumers' confidence and wealth, especially for customers in US and Europe. Now manufacturing industry is suffering from declining product demand and increasing labor and operating cost. Given the present economic environment, the Group implemented policies of saving the production and labor cost and lowering the external borrowings to strengthen the cash position. Keeping a healthy financial status is our key to success in the financial crisis.

Despite the external environment, top quality and customer satisfaction is always our shared value to be emphasized and reinforced from time to time, and it is also the motivation for us to strive for perfect. By consolidating our strong foundation in experienced management team, talented staff, excellent product and well-developed sales network, with new innovations for evolution, we believe that we can overcome this cyclical downturn.

Domestic Market

While the Group is further exploring the overseas market, the Group has set up a strong sales network in China. Kid's footwear with international brands of such as Disney, Nike, Addidas, New Balance, Ecco and Crocs, and adult's shoes branded Slazenger, Y Zone and Heavy Rider can reach our customers through a comprehensive sales channel of self owned specialty stores 'Magic House' and 'Kid's E-look', franchising agents and wholesalers. On the other hand, China Government is implementing a series of policy stimulating the domestic demand, which aims at improving the labor protections and civil benefits, continuous and sustainable growth of both consumption power and domestic demand in China market is expected.

BUSINESS REVIEW AND FUTURE PROSPECTS *(Continued)*

Domestic Market *(Continued)*

The Group has set up offices in major cities such Beijing, Shanghai, Chengdu and Guangzhou etc. and opened wholly owned sales counters in over 100 top class shopping malls in major cities and over 1,000 sales points through agents and franchisees, the number will keep increasing in coming years.

Future Prospects

Hard time expected to continue in second half of 2009, yet it is an opportunity for us to focus internally for advancement. During the period various internal operation enhancement projects launched for better resources allocation, it successfully reduced material wastage rate and unnecessary production costs to strengthen the financial position of the Group. The Group will keep improving not only the efficiency, but also the effectiveness, through consolidating the management framework, creating customers value and developing long-term relationship with business partners. Besides, taking environmental friendly production initiatives and promoting social responsibility and caring are also our missions.

The fact of the rapid growth in China domestic market, together with other supportive policies implemented by the China Government, exploring in China will be one of our important development blueprint. The Group will take this opportunity by devoting more effort in promoting activities, recruiting talented marketing executives and researching innovative product design. We are confident that integration of our existing virtues with the advancement completed at this stage and to be archived in future, the performance of the Group will keep rising after the economy recovered.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2009, the Group's total net assets was US\$119,653,000, comprising mainly current assets of US\$74,671,000, non-current assets of US\$71,060,000, current liabilities of US\$19,780,000 and non-current liabilities of US\$6,298,000. The current ratio was approximately 3.8 times and net bank balances and cash of US\$11,356,000 was recorded as at 30th June, 2009. 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 30th June, 2009, 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%

(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%

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Long positions *(Continued)*

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 30th June, 2009, 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 30th June, 2009, 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

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long position *(Continued)*

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 30th June, 2009.

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

During the six months ended 30th June, 2009, 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 30th June, 2009 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, 15th September, 2009

