



PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 676)

ANNOUNCEMENTS OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

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, 2007 with comparative figures for the corresponding period in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30th June, 2007

		Six months ended	
		30th June,	
		2007	2006
		(unaudited)	(unaudited)
	<i>NOTES</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue		78,066	73,749
Cost of sales		(65,436)	(61,673)
Gross profit		12,630	12,076
Other income		381	204
Selling and distribution costs		(4,406)	(3,450)
Administrative expenses		(5,634)	(5,801)
Share of results of associates		(3)	85
Share of results of jointly controlled entities		38	58
Interest on bank borrowings wholly repayable within five years		(703)	(683)
Profit before taxation		2,303	2,489
Taxation	4	(236)	(331)
Profit for the period		<u>2,067</u>	<u>2,158</u>
Dividends paid	5	<u>1,414</u>	<u>943</u>
Earnings per share	6		
Basic		<u>0.28 US cent</u>	<u>0.30 US cent</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2007

		At 30th June, 2007 (unaudited) US\$'000	At 31st December, 2006 (audited) US\$'000
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	7	59,875	62,208
Prepaid lease payments		5,187	5,256
Interests in associates		941	944
Interests in jointly controlled entities		2,588	2,550
		<u>68,591</u>	<u>70,958</u>
Current assets			
Inventories		46,296	50,296
Trade and other receivables	8	13,225	14,584
Prepaid lease payments		135	137
Amount due from an associate		22	12
Held for trading investment		353	361
Bank balances and cash		10,935	7,129
		<u>70,966</u>	<u>72,519</u>
Current liabilities			
Trade and other payables	9	12,009	10,468
Tax payable		518	666
Unsecured bank borrowings – due within one year		9,410	14,701
		<u>21,937</u>	<u>25,835</u>
Net current assets		<u>49,029</u>	46,684
		<u>117,620</u>	<u>117,642</u>
Capital and reserves			
Share capital	10	9,428	9,428
Reserves		95,415	94,762
		<u>104,843</u>	<u>104,190</u>
Non-current liabilities			
Unsecured bank borrowings – due after one year		10,375	11,050
Deferred tax liabilities		2,402	2,402
		<u>12,777</u>	<u>13,452</u>
		<u>117,620</u>	<u>117,642</u>

NOTES:

1. BASIS OF PREPARATION AND 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 value, as appropriate.

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 *Interim Financial Reporting*. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2006.

2. SEGMENT INFORMATION

Geographical segments

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, irrespective of the origin of the goods:

Six months ended 30th June, 2007

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
REVENUE					
External sales	<u>39,824</u>	<u>15,624</u>	<u>20,384</u>	<u>2,234</u>	<u>78,066</u>
RESULTS					
Segment results	<u>5,554</u>	<u>1,569</u>	<u>2,843</u>	<u>312</u>	10,278
Other income					381
Unallocated corporate expenses					(7,688)
Share of results of associates					(3)
Share of results of jointly controlled entities					38
Interest on bank borrowings wholly repayable within five years					<u>(703)</u>
Profit before taxation					2,303
Taxation					<u>(236)</u>
Profit for the period					<u>2,067</u>

Six months ended 30th June, 2006

	North America <i>US\$'000</i>	Asia <i>US\$'000</i>	Europe <i>US\$'000</i>	Others <i>US\$'000</i>	Consolidated <i>US\$'000</i>
REVENUE					
External sales	<u>37,782</u>	<u>10,771</u>	<u>21,747</u>	<u>3,449</u>	<u>73,749</u>
RESULTS					
Segment results	<u>5,479</u>	<u>1,163</u>	<u>3,153</u>	<u>500</u>	10,295
Other income					204
Unallocated corporate expenses					(7,470)
Share of results of associates					85
Share of results of jointly controlled entities					58
Interest on bank borrowings wholly repayable within five years					<u>(683)</u>
Profit before taxation					2,489
Taxation					<u>(331)</u>
Profit for the period					<u>2,158</u>
Business segments					

No analysis of financial information by business segment is presented as all the Group's turnover and trading results are generated from the manufacture and sale of footwear products.

3. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2007	2006
	US\$'000	US\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	535	326
Other staff costs	18,985	16,657
Retirement benefits scheme contributions (excluding contributions in respect of directors)	982	809
Total staff costs	20,502	17,792
Auditors' remuneration	45	45
Depreciation and amortisation of property, plant and equipment	3,590	4,337
and after crediting:		
Interest income	173	137

4. TAXATION

	Six months ended 30th June,	
	2007	2006
	US\$'000	US\$'000
Current taxation:		
Hong Kong	1	4
PRC	234	324
Taiwan	1	3
Taxation attributable to the Company and its subsidiaries	236	331

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17.5% (2006: 17.5%) for the six months ended 30th June, 2007.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the annual income tax rates expected for the full financial year. The estimated annual tax rates used are 27% or 33% (2006: 27% or 33%) for the six months ended 30th June, 2007.

Certain subsidiaries are eligible for certain tax concessions and are exempted from income tax.

5. DIVIDENDS

On 25th May, 2007, a dividend of HK1.5 cents per share (2006: HK1 cent) was paid to shareholders as the final dividend for 2006.

The directors have determined that an interim dividend of HK1 cent per share (2006: HK 1 cent) should be paid to the shareholders of the Company whose name appear of the Register of Member on 22nd October, 2007.

6. EARNINGS PER SHARE

For the six months ended 30th June, 2007, the calculation of the basic earnings per share is based on the profit attributable to shareholders of the Company of US\$2,067,000 (six months ended 30th June, 2006: US\$2,158,000) and on the weighted average number of 730,700,000 (2006: 730,700,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30th June, 2007 and 2006 have been presented because there are no potential dilutive ordinary shares outstanding.

7. PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$1,257,000 (six months ended 30th June, 2006: US\$1,470,000) on additions to property, plant and equipment.

8. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 60 days to its trade customers. The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	30th June, 2007 US\$'000	31st December, 2006 US\$'000
0-30 days	9,846	9,853
31-60 days	1,517	1,466
>60 days	425	1,093
	<hr/>	<hr/>
Total trade receivables	11,788	12,412
Other receivables	1,437	2,172
	<hr/>	<hr/>
	13,225	14,584

9. TRADE AND OTHER PAYABLES

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

	30th June, 2007 US\$'000	31st December, 2006 US\$'000
0-30 days	5,116	3,380
31-60 days	468	911
>60 days	635	509
	<hr/>	<hr/>
Total trade payables	6,219	4,800
Other payables	5,790	5,668
	<hr/>	<hr/>
	12,009	10,468

10. SHARE CAPITAL

	Number of shares	Amount US\$'000
Authorised		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2006, 31st December, 2006 and 30th June, 2007	<u>1,500,000,000</u>	19,355
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1st January, 2006, 31st December, 2006 and 30th June, 2007	<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 1st January, 2006, 31st December, 2006 and 30th June, 2007	<u>730,700,000</u>	<u>9,428</u>

11. COMMITMENTS

	30th June, 2007 US\$'000	31st December, 2006 US\$'000
Contracted for but not provided in the financial statements:		
– use of copyright licence (<i>note</i>)	<u>1,290</u>	<u>2,292</u>

Note: The Group entered into agreements with licensors to obtain licenses to use certain materials and trademarks in a number of merchandising activities for two to three 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. In addition, the Group has guaranteed to pay minimum royalties to the licensors throughout the contract period as stated above.

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 1 Hong Kong cent per ordinary share for the six months ended 30th June, 2007 to shareholders whose names appear on the register of members on 22nd October, 2007. The dividend warrants will be sent to shareholders on or before 26th October, 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15th October, 2007 to Thursday, 18th October, 2007, 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 Friday, 12th October, 2007.

FINANCIAL REVIEW

During the six months ended 30th June, 2007, the Group continued to concentrate on the manufacture and sales of footwear products. For the six months ended 30th June, 2007, the Group achieved a turnover of US\$78,066,000 (2006: US\$73,749,000) despite the continuously changing operating environment. Compared with the six months ended 30th June, 2006, the turnover increased by 5.9%.

Profit of the Group for the six months ended 30th June, 2007 was US\$2,067,000 (2006: US\$2,158,000). Basic earnings per share for the six months ended 30th June, 2007 was 0.28 US cents (2006: 0.30 US cents). Although the continued surge of labor cost, the group managed to maintain its gross profit margin at approximately 16% for both periods.

BUSINESS REVIEW AND FUTURE PROSPECTS

Despite the continuous pressure faced by the manufacturing industry over the first half of the year dealing with the short supply of labor force, increase in wage and appreciation of RMB to US dollars, the turnover of the Group have experienced growth through the joint efforts of our staff in streamlining the management system, maximizing the efficiency and reducing the waste.

Regarding the business strategy, the Group strives to optimize the customers mix, aiming for a long term cooperation and mutual growth, so as to strengthen the business relationship with the customers who have established a reliable and long-term relationship with us. In order to cater our customers needs, the Group continuously enhance the delivery terms, and quality and service management through the lean production management model. In addition, the Group proactively assists our customers' business strategy development by employing professional talents and deploying resources in high-tech equipments.

Shortage of labor force and increase in labour cost are the biggest challenges of the manufacturing business. To cope with this challenge, the Group continuously strengthens the cohesion of our corporate through various activities to attract and retain excellent talents. The Group intended to optimize the living and working conditions through a theme called "Happy Land", in order to advocate interpersonal relationship through various team work activities, improve professionalism through training and practice, encourage our staff to participate in management and initiate innovation through project management and innovative activities, and to equip the staff's personal development through a transparent promotion path and career planning. The theme of "Happy Land" inspires the staff to take their own initiative and to perform their duties delightedly, thus stabilizing our quality, reducing the waste and improving the overall management efficiency of the Group. As a result, the proportion of labor cost to turnover is able to maintain at a rational level, it also provides a stable source of human capital for the continuous growth of the Group.

The Chinese economy keeps growing, while the domestic market keeps expanding. The Group puts endless efforts in launching new retail and wholesale business in China under the business strategy of optimized integration. It is the Group's mission to become a market leader in retailing and wholesaling of shoes, clothing and accessories in China. In the first half of 2007, the Company has established various retail agreements with famous brands like Nike, Adidas, New Balance and Ecco, which further broadened our sales channels. With over two years experience in brand development, products integration and sales channels construction, the Group has established its own domestic sales structure, the number of sales channels keeps climbing.

Labor cost is increasing while RMB is appreciating. Our overseas sales are facing a serious challenge. The Group will continue to strengthen its management efficiency and improves its quality of products and service, so to enhance our customers' confidence towards a long term cooperation. The Group will actively explore the domestic markets in China, seize opportunities, expand its market share and enhance profit margin so as to create promising returns for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2007, the Group's total net assets was US\$104,843,000, comprising mainly current assets of US\$70,966,000, non-current assets of US\$68,591,000, current liabilities of US\$21,937,000 and non-current liabilities of US\$12,777,000. The current ratio was approximately 3.23 times and the ratio of net bank borrowings to shareholders' fund was approximately 8.4%. 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 30th June, 2007, 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, 2007 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, 2007

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:

Fang Yen Ling
Lai Jenn Yang, Jeffrey
Liu Chung Kang, Helios

A results announcement containing all the details required to be disclosed under paragraph 45(1) to 45(3) of Appendix 16 of the "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited" will appear later on the website of the Stock Exchange (<http://www.hkex.com.hk>).