

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 676)

ANNOUNCEMENTS OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

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, 2010 with comparative figures for the corresponding period in 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

		Six months ended 30th June, 2010 (unaudited) US\$'000	2009 (unaudited) US\$'000
	<i>NOTES</i>		
Revenue		41,505	58,548
Cost of sales		(34,161)	(49,433)
Gross profit		7,344	9,115
Other income		111	158
Selling and distribution costs		(3,642)	(4,007)
Administrative expenses		(3,732)	(4,129)
Share of profit of an associate		4	3
Share of profit (loss) of a jointly controlled entity		74	(225)
Interest on bank borrowings wholly repayable within five years		(79)	(129)
Profit before taxation		80	786
Taxation	5	(41)	(157)
Profit for the period		<u>39</u>	<u>629</u>
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		158	(302)
Other comprehensive income (expense) for the period		158	(302)
Total comprehensive income for the period		<u>197</u>	<u>327</u>
Earnings per share	7		
Basic		<u>0.005 US cent</u>	<u>0.09 US cent</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

		At 30th June, 2010 (unaudited) US\$'000	At 31st December, 2009 (audited) US\$'000
	NOTES		
Non-current assets			
Property, plant and equipment	8	56,867	58,302
Prepaid lease payments		5,976	6,061
Interests in an associate		672	668
Interests in a jointly controlled entity		1,862	1,788
		<u>65,377</u>	<u>66,819</u>
Current assets			
Prepaid lease payments		165	165
Inventories		36,245	40,044
Trade and other receivables	9	4,715	8,110
Held for trading investments		313	–
Bank balances and cash		30,249	22,883
		<u>71,687</u>	<u>71,202</u>
Current liabilities			
Trade and other payables	10	7,673	8,059
Tax payable		1,175	1,142
Unsecured bank borrowings – due within one year		2,949	4,182
		<u>11,797</u>	<u>13,383</u>
Net current assets		<u>59,890</u>	<u>57,819</u>
		<u>125,267</u>	<u>124,638</u>
Capital and reserves			
Share capital	11	9,428	9,428
Share premium and reserves		108,228	108,974
Total equity		<u>117,656</u>	<u>118,402</u>
Non-current liabilities			
Unsecured bank borrowings – due after one year		5,750	4,375
Deferred tax liabilities		1,861	1,861
		<u>7,611</u>	<u>6,236</u>
		<u>125,267</u>	<u>124,638</u>

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 31st December 2009.

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”).

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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 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. However, the chief decision maker does not regularly review the segment assets and segment liabilities.

The Group's operating segments under HKFRS 8 are North America, Europe, Asia and other regions.

Six months ended 30th June, 2010

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
REVENUE					
External sales of goods	<u>19,063</u>	<u>13,868</u>	<u>6,703</u>	<u>1,871</u>	<u>41,505</u>
RESULTS					
Segment results	<u>2,247</u>	<u>1,575</u>	<u>811</u>	<u>270</u>	4,903
Unallocated income					60
Interest income					51
Unallocated expenses					(4,933)
Share of profit of an associate					4
Share of profit of a jointly controlled entity					74
Interest on bank borrowings wholly repayable within five years					<u>(79)</u>
Profit before taxation					80
Taxation					<u>(41)</u>
Profit for the period					<u>39</u>

3. SEGMENT INFORMATION (Continued)

Six months ended 30th June, 2009

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
REVENUE					
External sales of goods	<u>24,669</u>	<u>20,054</u>	<u>11,607</u>	<u>2,218</u>	<u>58,548</u>
RESULTS					
Segment results	<u>3,005</u>	<u>1,978</u>	<u>1,414</u>	<u>270</u>	6,667
Unallocated income					93
Interest income					65
Unallocated expenses					(5,688)
Share of loss of an associate					3
Share of loss of a jointly controlled entity					(225)
Interest on bank borrowings wholly repayable within five years					<u>(129)</u>
Profit before taxation					786
Taxation					<u>(157)</u>
Profit for the period					<u>629</u>

4. PROFIT BEFORE TAXATION

	Six months ended 30th June, 2010 US\$'000		2009 US\$'000
Profit before taxation has been arrived at after charging:			
Directors' emoluments	226		232
Other staff costs	12,039		15,179
Retirement benefits scheme contributions (excluding contributions in respect of directors)	<u>678</u>		<u>1,031</u>
Total staff costs	12,943		16,442
Auditors' remuneration	72		72
Depreciation of property, plant and equipment	1,674		3,124
and after crediting to other income:			
Interest income	<u>51</u>		<u>65</u>

5. TAXATION

	Six months ended	
	30th June,	
	2010	2009
	US\$'000	US\$'000
Current taxation:		
Hong Kong	–	–
PRC	40	156
Taiwan	1	1
	<hr/>	<hr/>
Taxation attributable to the Group	<u>41</u>	<u>157</u>

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

On 7th June, 2010, a dividend of 1 HK cent per share (2009: Nil) was paid to shareholders as the final dividend for 2009.

The directors do not recommend the payment of an interim dividend.

7. EARNINGS PER SHARE

For the six months ended 30th June, 2010, the calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of US\$39,000 (six months ended 30th June, 2009: US\$629,000) and on the weighted average number of 730,700,000 (2009: 730,700,000) ordinary shares in issue during the period.

No diluted earnings per share for the six months ended 30th June, 2010 and 2009 have been presented because there are no potential dilutive ordinary shares outstanding.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$239,000 (six months ended 30th June, 2009: US\$381,000) on additions to property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers an average credit period of 60 days. The following is an aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting date:

	30th June, 2010 US\$'000	31st December, 2009 US\$'000
0-30 days	2,937	4,875
31-60 days	106	240
Over 60 days	254	290
	<hr/>	<hr/>
Total trade receivables	3,297	5,405
Other receivables	1,418	2,705
	<hr/>	<hr/>
	4,715	8,110
	<hr/> <hr/>	<hr/> <hr/>

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:

	30th June, 2010 US\$'000	31st December, 2009 US\$'000
0-30 days	1,652	2,257
31-60 days	80	167
Over 60 days	155	450
	<hr/>	<hr/>
Total trade payables	1,887	2,874
Other payables	5,786	5,185
	<hr/>	<hr/>
	7,673	8,059
	<hr/> <hr/>	<hr/> <hr/>

11. SHARE CAPITAL

	Number of shares	Amount US\$'000
Authorised		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1st January, 2009, 31st December, 2009 and 30th June, 2010	<u>1,500,000,000</u>	<u>19,355</u>
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1st January, 2009, 31st December, 2009 and 30th June, 2010	<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, 2009, 31st December, 2009 and 30th June, 2010	<u>730,700,000</u>	<u>9,428</u>

12. COMMITMENTS

At the end of the reporting period, the Group had agreements with licensors to obtain licenses to use certain materials and trademarks in a number of merchandising activities for one to two years. Pursuant to the agreements, the Group has agreed to pay royalties to the licensors which are based on certain fixed percentages of the selling prices for items sold.

At 30th June, 2010, the minimum royalties payable to the licensors for the remaining contract periods amounted to US\$914,000 (31st December, 2009: US\$1,440,000).

FINANCIAL REVIEW

During the six months ended 30th June, 2010, the Group continued to concentrate on the manufacture and sales of footwear products. For the six months ended 30th June, 2010, the Group achieved a turnover of US\$41,505,000 (2009: US\$58,548,000) despite the continuously changing operating environment.

Profit of the Group for the six months ended 30th June, 2010 was US\$39,000 (2009: US\$629,000). Basic earnings per share for the six months ended 30th June, 2010 was 0.005 US cents (2009: 0.09 US cents). The gross profit margin increased slightly to 17% in the period.

BUSINESS REVIEW AND FUTURE PROSPECTS

Manufacturing Industry

Going through the tough journey in 2009, 2010 is another challenging year for exporting manufacturing industry. The worldwide economy still under the threat of those giant US and European regimes, customers are still conservative during spending and even more pessimistic than last year, the overall purchasing power is still very vulnerable. On the other hand, continuous pressure is coming from costing consideration. The minimum wages in China increased further in 2010, together with other rising contributions in staff benefit and miscellaneous taxes, posting an huge impact to the operation and profitability of the Group.

During the period, the Group maintains a sounds financial management and effective use of resources, striving for the best result in the period. However, our commitment to customers and products will never change. We have solid foundation, expertise and experience in manufacturing industry, these core values would help us to break through the current crisis.

Domestic Market

The PRC market remains the largest market for domestic sales. As international brands successively enter the PRC market, the operating model will continue to change, resulting in changes in the overall supply chain or even the end users.

We began to enter the domestic sales market since 1998. In view of the changing environment, the Group will also make substantial adjustments and restructure its profile:

- Continue to develop Disney and Oshkosh channel sales
- Expand the channel development of Nike and Converse apparel and footwear franchise outlets and department store concessionaries
- We will also accelerate the development of our self-developed brand, Magic House (for kid's) and the additional apparel series will be officially launched in the market in September 2010
- “Y-Zone” (for teenagers) apparel and footwear products will be officially launched in the market in Spring 2011

BUSINESS REVIEW AND FUTURE PROSPECTS *(Continued)*

Future Prospects

Amid the profound changes in the operating environment, we have adopted the approach of “striving to consolidate our foundation and move forward for future growth”.

The Group will operate its business in adherence to healthier values and strengthen its brand under “value management”.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2010, the Group’s total net assets was US\$117,656,000, comprising mainly current assets of US\$71,687,000, non-current assets of US\$65,377,000, current liabilities of US\$11,797,000 and non-current liabilities of US\$7,611,000. The current ratio was approximately 6.08 times and net bank balances and cash of US\$21,550,000 was recorded as at 30th June, 2010. 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, 2010, 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, 2010 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, 24th August, 2010

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).