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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, 2012

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 2012 with comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(unaudited)	(unaudited)
	<i>NOTES</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue		63,032	63,896
Cost of sales		(53,499)	(52,985)
Gross profit		9,533	10,911
Other income		203	195
Selling and distribution costs		(4,269)	(4,040)
Administrative expenses		(4,123)	(5,331)
Share of profit (loss) of an associate		39	(53)
Share of loss of a jointly controlled entity		–	(418)
Interest on bank borrowings wholly repayable within five years		(30)	(64)
Profit before taxation		1,353	1,200
Taxation	5	(234)	(2,459)
Profit (loss) for the period		1,119	(1,259)
Other comprehensive expense for the period			
Exchange differences arising on translation of foreign operations		(1,313)	(541)
Total comprehensive expense for the period		(194)	(1,800)
Earnings (loss) per share			
Basic	7	0.153 US cent	(0.172) US cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

		At 30 June 2012 (unaudited) US\$'000	At 31 December 2011 (audited) US\$'000
	NOTES		
Non-current assets			
Property, plant and equipment	8	61,793	63,028
Prepaid lease payments		5,944	6,031
Interests in an associate		652	613
		<u>68,389</u>	<u>69,672</u>
Current assets			
Prepaid lease payments		178	178
Inventories		32,890	48,147
Trade and other receivables	9	11,309	14,889
Held for trading investments		437	426
Bank balances and cash		23,327	7,432
		<u>68,141</u>	<u>71,072</u>
Assets classified as held for sale		944	944
		<u>69,085</u>	<u>72,016</u>
Current liabilities			
Trade and other payables	10	9,242	10,648
Tax payable		545	311
Unsecured bank borrowings – due within one year		1,765	4,142
		<u>11,552</u>	<u>15,101</u>
Net current assets		<u>57,533</u>	<u>56,915</u>
		<u>125,922</u>	<u>126,587</u>
Capital and reserves			
Share capital	11	9,428	9,428
Share premium and reserves		113,020	113,685
Total equity		<u>122,448</u>	<u>123,113</u>
Non-current liability			
Deferred tax liabilities		3,474	3,474
		<u>125,922</u>	<u>126,587</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 for the six month ended 30 June 2012 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

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 2012.

The application of the these new and revised HKFRSs had no material effect on the amounts reported in the condensed consolidated financial statements and disclosures set out in the condensed consolidated financial statements.

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. The Group's operating segments determined based on location of geographical markets are North America, Europe, Asia and other regions. However, the chief decision maker does not regularly review the segment assets and segment liabilities by operating segments.

Six months ended 30 June 2012

	North America US\$'000	Asia US\$'000	Europe US\$'000	Others US\$'000	Consolidated US\$'000
REVENUE					
External sales of goods	<u>33,875</u>	<u>21,293</u>	<u>5,736</u>	<u>2,128</u>	<u>63,032</u>
RESULTS					
Segment results	<u>5,143</u>	<u>1,993</u>	<u>678</u>	<u>270</u>	<u>8,084</u>
Unallocated income					115
Interest income					88
Unallocated expenses					(6,943)
Share of profit of an associate					39
Interest on bank borrowings wholly repayable within five years					<u>(30)</u>
Profit before taxation					1,353
Taxation					<u>(234)</u>
Profit for the period					<u><u>1,119</u></u>

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2011

	North America US\$ '000	Asia US\$ '000	Europe US\$ '000	Others US\$ '000	Consolidated US\$ '000
REVENUE					
External sales of goods	39,500	14,184	8,441	1,771	63,896
RESULTS					
Segment results	6,172	1,320	976	249	8,717
Unallocated income					123
Interest income					72
Unallocated expenses					(7,177)
Share of loss of an associate					(53)
Share of loss of a jointly controlled entity					(418)
Interest on bank borrowings wholly repayable within five years					(64)
Profit before taxation					1,200
Taxation					(2,459)
Loss for the period					(1,259)

4. PROFIT BEFORE TAXATION

Six months ended
30 June
2012 2011
US\$'000 US\$'000

Profit before taxation has been arrived at after charging:

Directors' emoluments	195	199
Other staff costs	16,587	16,123
Retirement benefits scheme contributions (excluding contributions in respect of directors)	966	927
Total staff costs	17,748	17,249
Auditors' remuneration	74	68
Depreciation of property, plant and equipment	1,488	1,544
and after crediting to other income:		
Interest income	88	72

5. TAXATION

	Six months ended	
	30 June	
	2012	2011
	US\$'000	US\$'000
Current taxation:		
PRC	233	2,458
Taiwan	1	1
Taxation attributable to the Group	234	2,459

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.

At 30 June 2011, the Group reached a settlement agreement with a People's Republic of China ("PRC") tax authority regarding the Group's transfer pricing arrangements for previous years, resulting in payment of Enterprise Income Tax ("EIT") of approximately US\$2,458,000 which was charged to profit or loss for the period ended 30 June 2011.

The relevant tax rates for the Group's subsidiaries in the PRC 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 8 June 2012, a dividend of 0.5 HK cent per share was paid to shareholders as the final dividend for 2011 (2011: 0.5 HK cent per share in respect of the year ended 31 December 2010).

The directors have determined that an interim dividend of 0.5 HK cent per share (2011: 0.5 HK cent) should be paid to the shareholders of the Company whose name appear on the Register of Member on 18 September 2012.

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit attributable to owners of the Company of US\$1,119,000 (six months ended 30 June 2011: loss of US\$1,259,000) and on 730,700,000 (2011: 730,700,000) ordinary shares in issue during the year.

There are no potential ordinary shares outstanding for each of the two periods ended 30 June 2012.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately US\$253,000 (six months ended 30 June 2011: 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 trade receivables presented based on the invoice date at the end of the reporting date:

	30 June 2012 US\$'000	31 December 2011 US\$'000
0-30 days	5,667	9,589
31-60 days	1,238	1,289
Over 60 days	59	122
Total trade receivables	6,964	11,000
Other receivables	4,345	3,889
	11,309	14,889

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:

	30 June 2012 US\$'000	31 December 2011 US\$'000
0-30 days	2,716	3,752
31-60 days	118	177
Over 60 days	297	210
Total trade payables	3,131	4,139
Other payables	6,111	6,509
	9,242	10,648

11. SHARE CAPITAL

	Number of shares	Amount US\$'000
Authorised		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1 January, 2011, 31 December 2011 and 30 June 2012	1,500,000,000	19,355
	<u> </u>	<u> </u>
<i>Convertible non-voting preference shares of US\$100,000 each</i>		
At 1 January 2011, 31 December 2011 and 30 June 2012	150	15,000
	<u> </u>	<u> </u>
		34,355
		<u> </u>
Issued and fully paid		
<i>Ordinary shares of HK\$0.10 each</i>		
At 1 January 2011, 31 December 2011 and 30 June 2012	730,700,000	9,428
	<u> </u>	<u> </u>

12. COMMITMENTS

At 30 June 2011, the Group had entered into agreements with licensors to obtain licenses to use certain materials and trademarks in a number of merchandising activities. The minimum royalties payable to the licensors for the remaining contract periods at 30 June 2011 amounted to US\$219,000. The Group did not renew agreements after the completion of the contract periods and no royalties payable to the licensors at 30 June 2012.

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of 0.5 HK cent per ordinary share for the six months ended 30 June 2012 to shareholders whose names appear on the register of members on 18 September 2012. The dividend warrants will be sent to shareholders on or before 25 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 14 September 2012 to Tuesday, 18 September 2012, 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 Thursday, 13 September 2012.

FINANCIAL REVIEW

During the six months ended 30 June 2012, the Group continued to concentrate on the manufacture and sales of footwear products. For the six months ended 30 June 2012, the Group achieved a turnover of US\$63,032,000 (2011: US\$63,896,000) compared with the six months ended 30 June 2011, the turnover slightly dropped by 1.4%.

Profit before taxation of the Group for the six months ended 30 June 2012 was US\$1,353,000 (2011: US\$1,200,000), an increase of US\$153,000 as compared to the corresponding period in 2011. After accounting for income taxes of US\$234,000 (2011: US\$2,459,000), resulted a profit after taxation of US\$1,119,000 (2011: loss after taxation: US\$1,259,000).

Basic earnings per share for the six months ended 30 June 2012 was 0.153 US cent (basic loss per share for 2011: 0.172 US cent). The gross profit margin decreased to 15% due to the increasing production cost during the current period.

BUSINESS REVIEW AND FUTURE PROSPECTS

Manufacturing Industry

Economic weakness in US and European countries has resulted in a shrinkage in the export market of the southeast Asian countries, while reforming rules and regulations and increasing material and labour costs in China are exerting great pressure on the manufacturing industry. The Group has made every effort to strive for success in this rapid changing environment, and we are able to maintain a stable volume of export. Moreover, the Group will continue to cohere our strength in the industry expertise, talented management and staff, product excellence, customer relations and well established network and facilities to guarantee competitiveness. A sound and prudence financial management is always the key for our sustainable development.

Domestic Market

After years of exploring in the China market, we are facing the challenge of increasing number of market competitors and tightening local regulations, and the Group is now adopting a robust strategy in domestic development. Nevertheless, the Group established a solid foundation including sale channels, experienced marketing executives as well as acquired own brands and international brands such as Magic House and OshKosh B' Gosh. By sharpening our competitive edges, we are confident that the Group can achieve reasonable returns in the China market.

Future Prospects

We foresee the worldwide economy will keep on unstable, remaining a lot of uncertainties for the manufacturing industry in the coming period. Planning ahead for the tough journey, the Group will maintain the strategy of providing quality products and enhancing customer satisfaction, stick to a lean operation and production philosophy and maintain a healthy financial position.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group's total net assets was US\$122,448,000, comprising mainly current assets of US\$69,085,000, non-current assets of US\$68,389,000, current liabilities of US\$11,552,000 and non-current liability of US\$3,474,000. The current ratio was approximately 5.98 times and net bank balances and cash of US\$21,562,000 was recorded as at 30 June 2012. 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 2012, 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 30 June 2012 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, 24 August, 2012

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).