



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 2021 中期報告

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Revenue	3	3,479	1,422
Cost of sales		(2,038)	(972)
Gross profit		1,441	450
Other income (expense), gains and losses		905	(1,177)
Selling and distribution costs		(224)	(173)
General and administrative expenses		(2,032)	(1,629)
Interest expense on lease liabilities	4	(20)	(21)
Profit (loss) before tax	5	70	(2,550)
Tax expense	6	(2)	(1)
Profit (loss) for the period attributable to owners of the Company		68	(2,551)
Other comprehensive income, net of income tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		1,984	(1,006)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Revaluation increase on properties		–	4,944
Other comprehensive income for the period, net of tax		1,984	3,938
Total comprehensive income for the period attributable to owners of the Company		2,052	1,387
Profit (loss) per share	8		
– Basic		0.01 US cent	(0.35 US cent)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
Non-current assets			
Investment properties	9	28,316	27,307
Property, plant and equipment	10	24,487	23,981
Right-of-use assets		3,600	3,561
Accrued rentals		540	469
		56,943	55,318
Current assets			
Inventories		1,481	1,435
Trade and other receivables	11	1,935	999
Financial assets at fair value through profit or loss	15	417	378
Bank balances and cash		10,447	9,754
		14,280	12,566
Current liabilities			
Trade and other payables	12	3,633	2,738
Lease liabilities		106	114
Provision for housing provident fund	14	3,224	3,109
Tax payable		964	937
		7,927	6,898
Net current assets		6,353	5,668
		63,296	60,986
Capital and reserves			
Share capital	13	9,428	9,428
Share premium and reserves		45,539	43,487
Total equity		54,967	52,915
Non-current liabilities			
Deferred tax liabilities		7,576	7,307
Lease liabilities		753	764
		8,329	8,071
		63,296	60,986

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company						
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	Properties revaluation reserve US\$'000	Translation reserve US\$'000	Retained profits US\$'000	Total US\$'000
At 1 January 2020 (audited)	9,428	21,637	(4,512)	4,146	11,643	(3,691)	38,651
Loss for the period	-	-	-	-	-	(2,551)	(2,551)
Exchange differences on translating foreign operations	-	-	-	-	(1,006)	-	(1,006)
Revaluation increase	-	-	-	4,944	-	-	4,944
Total comprehensive income (expense) for the period	-	-	-	4,944	(1,006)	(2,551)	1,387
Payment of dividends (Note 6)	-	-	-	-	-	-	-
At 30 June 2020 (unaudited)	9,428	21,637	(4,512)	9,090	10,637	(6,242)	40,038
At 1 January 2021 (audited)	9,428	21,637	(4,512)	16,172	14,506	(4,316)	52,915
Profit for the period	-	-	-	-	-	68	68
Exchange differences on translating foreign operations	-	-	-	-	1,984	-	1,984
Total comprehensive income (expense) for the period	-	-	-	-	1,984	68	2,052
Payment of dividends (Note 6)	-	-	-	-	-	-	-
At 30 June 2021 (unaudited)	9,428	21,637	(4,512)	16,172	16,490	(4,248)	54,967

The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries acquired and the nominal value of the share capital of the acquiring companies issued in exchange pursuant to a corporate reorganisation prior to the listing of the Company's shares in 1996.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	826	(1,796)
INVESTING ACTIVITIES		
Interest received	9	69
NET CASH FROM INVESTING ACTIVITIES	9	69
FINANCING ACTIVITIES		
Repayment of lease liabilities	(67)	(59)
Interest expense on lease liabilities	(20)	(21)
NET CASH USED IN FINANCING ACTIVITIES	(87)	(80)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	748	(1,807)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	9,754	12,519
Effect of foreign exchange rate changes	(55)	(16)
CASH AND CASH EQUIVALENTS AT 30 JUNE REPRESENTED BY BANK BALANCES AND CASH	10,447	10,696

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

In prior years, the Group's chief executive officer, being the chief operating decision maker (the "CODM") of the Group, for the purpose of resources allocation and performance assessment, regularly reviewed 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 and reportable segments were determined based on location of geographical markets, including North America, Asia, Europe and Other regions segment.

Accordingly, the Group reorganised its internal reporting structure upon commencement of the business engaging in leasing of properties in the PRC which resulted in changes to the composition of its operating and reportable segments.

Information reported to the CODM are reorganised based on types of goods or services delivered or provided. There are two operating and reportable segments, namely manufacture and sales of footwear products and lease of properties. Prior year segment information have been represented to conform with the current year's presentation.

However, the CODM does not regularly review the assets and liabilities by operating segments and hence no analysis of segment assets and segment liabilities are presented.

Segment revenue and results

For the six months ended 30 June 2021

	Manufacturing and sales of footwear products US\$'000	Lease of properties US\$'000	Total US\$'000
REVENUE	2,095	1,384	3,479
RESULTS			
Segment results	135	1,254	1,389
Unallocated other income and gains			255
Interest income			9
Unallocated expenses			(1,583)
Profit before tax			70
Tax expense			(2)
Profit for the period			68

3. SEGMENT INFORMATION *(Continued)***Segment revenue and results** *(Continued)**For the six months ended 30 June 2020*

	Manufacturing and sales of footwear products US\$'000	Lease of properties US\$'000	Total US\$'000
REVENUE	1,160	262	1,422
RESULTS			
Segment results	205	232	437
Unallocated other income and gains			154
Interest income			69
Unallocated expenses			(3,210)
Loss before tax			(2,550)
Tax expense			(1)
Loss for the period			(2,551)

4. INTEREST EXPENSE ON LEASE LIABILITIES

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Interest expense on lease liabilities	20	21

5. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Auditor's remuneration	92	90
Cost of inventories recognised as an expense	1,908	942
Depreciation of property, plant and equipment	206	249
Depreciation of right-of-use assets	78	82
and after charging to other income (expense), gains and losses:		
(Gain) loss on disposal of property, plant and equipment	(630)	306
Redundancy costs	76	1,001
(Gain) loss on fair value changes of held for trading investments	(39)	229
Interest income	9	69
Net foreign exchange loss (gain)	360	(94)

6. TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Current tax:		
People's Republic of China ("PRC")		
Enterprise Income Tax	2	1

Hong Kong Profits Tax is calculated at 16.5% of the estimated 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 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Save as disclosed above, in the opinion of the directors of the Company, the Group is not subject to taxation in any other jurisdictions.

7. DIVIDENDS

No dividend were paid, declared or proposed during the interim period ended 30 June 2021 and 2020.

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

8. PROFIT (LOSS) PER SHARE

The calculation of the basic profit per share is based on the profit for the period attributable to owners of the Company of US\$68,000 (six months ended 30 June 2020: loss for the period attributable to owners of the Company of US\$2,551,000) and on the number of ordinary shares of 730,650,000 (2020: 730,650,000) in issue during the period.

There are no potential ordinary shares outstanding for six months ended 30 June 2021 and 2020.

9. INVESTMENT PROPERTIES

	US\$'000
FAIR VALUE	
Six months ended 30 June 2020	
At 1 January 2020	–
Transferred from property, plant and equipment	1,841
Transferred from right-of-use assets	4,955
	<hr/>
At 30 June 2020	6,796
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Six months ended 30 June 2021	
At 1 January 2021	27,307
Exchange realignment	1,009
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At 30 June 2021	28,316

During the six months ended 30 June 2020, the use of certain industrial properties located in the PRC have been changed upon the commencement of the operating leases entered into with tenants, the industrial properties previously included in property, plant and equipment and the relevant land use rights included in right-of-use assets with carrying values of US\$1,703,000 and US\$149,000 respectively, were transferred to investment properties. The properties were fair-valued by RHL Appraisal Limited based on the income capitalisation approach at the date of transfer. The fair value gain of the property, plant and equipment and right-of-use assets of US\$138,000 and US\$4,806,000, were recognised in other comprehensive income at the date of transfer.

The directors of the Company are of the opinion that the carrying value of the Group's investment properties as at 30 June 2021 are not materially different from their fair values at 31 December 2020. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties for the period.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the interim period ended 30 June 2021 and 2020, the Group did not acquire any property, plant and equipment.

During the interim period ended 30 June 2020, buildings with a carrying value of US\$1,703,000 was transferred to investment properties resulting in a gain on revaluation of properties of US\$138,000 recognised in other comprehensive income.

The directors of the Company are of the opinion that the carrying value of the Group's buildings included in property, plant and equipment as at 30 June 2021 are not materially different from their fair values at 31 December 2020. Accordingly, no valuation movement has been recognised in respect of the Group's buildings included in property, plant and equipment for the period.

11. TRADE AND OTHER RECEIVABLES

	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
Trade receivables	605	591
Other receivables	1,870	877
Total trade and other receivables	2,475	1,468
Less: accrued rentals shown under non-current assets	(540)	(469)
	1,935	999

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, which approximated the respective revenue recognition dates:

	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
0–30 days	200	396
31–60 days	251	193
Over 60 days	154	2
Total trade receivables	605	591

12. TRADE AND OTHER PAYABLES

	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
Trade payables	636	198
Accrued payroll	268	281
Accrued expenses	601	689
Others	1,055	671
Rental deposit received	1,073	899
	3,633	2,738

The following is an analysis of trade payables by age presented based on the invoice date at the end of the reporting period:

	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
0–30 days	62	71
31–60 days	12	4
Over 60 days	562	123
Total trade payable	636	198

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. SHARE CAPITAL

	Number of shares	Amount US\$'000
<i>Authorised:</i>		
<i>Ordinary shares of Hong Kong dollar ("HK\$") 0.10 each</i>		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	1,500,000,000	19,355
<i>Convertible non-voting preference shares of US\$100,000 each (Note)</i>		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	150	15,000
		34,355

Number of shares		Amount	
30 June 2021 '000	31 December 2020 '000	30 June 2021 US\$'000	31 December 2020 US\$'000

Issued and fully paid:

Ordinary shares of HK\$0.10 each	730,650	730,650	9,428	9,428
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Note: Convertible non-voting preference shares, when issued and outstanding, will carry a fixed cumulative dividend. Under certain circumstances, they will also be entitled to an additional dividend and can be convertible into ordinary shares of the Company. There were no convertible non-voting preference shares issued for the six months ended 30 June 2021 and year ended 31 December 2020.

14. PROVISION FOR HOUSING PROVIDENT FUND

There were claims made against a subsidiary of the Group in respect of housing provident fund which were initiated by the employees of the subsidiary, and the Group has lodged appeals against these claims. Up to the date of this report, part of the claims are still under process while certain appeals are still under review by the court. While the ultimate outcome of these claims and legal proceedings cannot presently be reliably estimated.

The directors of the Company believe that adequate provisions has been made in the Group's consolidated financial statements as at 30 June 2021.

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2021	31 December 2020		
	US\$'000 (unaudited)	US\$'000 (audited)		
Financial assets mandatorily measured at fair value through profit or loss	417	378	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1, 2 and 3 during the current interim period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at the end of the reporting period.

FINANCIAL REVIEW

Since the year ended 31 December 2020, in addition to the original business of manufacture and sales of footwear product, the Group entered into operating lease contracts with tenants and received rental income. For the six months ended 30 June 2021, the Group achieved a revenue of US\$3,479,000 (six months ended 30 June 2020: US\$1,422,000) compared with the six months ended 30 June 2020, the revenue increased by 145%.

Profit before taxation of the Group for the six months ended 30 June 2021 was US\$70,000 (six months ended 30 June 2020: loss before tax US\$2,550,000).

Basic profit per share for the six months ended 30 June 2021 was 0.01 US cent (six months ended 30 June 2020: basic loss per share 0.35 US cent). The gross profit is US\$1,441,000 during the current period.

BUSINESS REVIEW AND PROSPECTS

The global economy remained weak in 2021 due to the impact of the COVID-19 pandemic. To fight against the pandemic, countries across the globe implemented prolonged border closures and called on their citizens to reduce unnecessary travelling, which dealt a heavy blow on the consumer market. Vaccines successfully developed last year were successively applied early this year and are expected to be the mainstay in the fight against the pandemic. However, the resurgence of several cases of new variants of the coronavirus in several regions in recent months has cast a shadow over hopes of getting life and the economy back on track.

The leasing of idle plants in the PRC starting from last year has given new impetus and provided a stable source of cash income to the Group's business. The management will continuously try to negotiate new leases, with a view to efficiently utilising the Group's asset to maximise returns. As for the footwear business, we were delighted to see an increase in the number of orders placed by customers as compared with the same period last year due to a slight improvement of the pandemic in the first half of 2021. However, the management dared not to be overly optimistic about future market conditions due to the lingering pandemic. In the face of the intricate and complex situation, the Group will strive for changes and integrate its own strengths and resources in order to cope with the challenges of the environment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group's total net assets was US\$54,967,000, comprising mainly current assets of US\$14,280,000, non-current assets of US\$56,943,000, current liabilities of US\$7,927,000 and non-current liability of US\$8,329,000. The current ratio was approximately 1.80 times and net bank balances and cash of US\$10,447,000 was recorded as at 30 June 2021. 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 2021, 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 and Corporate (note 2)	6,470	32%
Wu Jenn Chang, Michael	Corporate (note 3)	6,470	32%
Wu Jenn Tzong, Jackson	Corporate (note 4)	6,470	32%
		19,410	96%

Notes:

1. Pegasus Footgear Management Limited is the holding company of the Company.
2. 3,235 shares are jointly held by Mr. Wu Chen San, Thomas and Mrs. Peggy Wu, the spouse of Mr. Wu Chen San, Thomas, and 3,235 shares are held by Skyplus Limited, a company owned by Mrs. Peggy Wu.
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 2021, 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 2021, 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 2021.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON 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 2021.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company.

Having made specify enquiry of all directors, the directors had complied with the required standard set out in the Model Code throughout the six month ended 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Board has reviewed, with management of the Company, the Group's unaudited condensed consolidated financial information for the six months ended 30 June 2021, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

By Order of the Board
Pegasus International Holdings Limited
Wu Chen San, Thomas
Chairman

Hong Kong, 31 August 2021

