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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 30 JUNE 2024

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 2024 with comparative figures for the corresponding period in 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
	NOTES	2024 US\$'000 (unaudited)	2023 US\$'000 (unaudited)
Revenue	3	3,232	3,085
Cost of sales and services		(1,264)	(1,190)
Gross profit		1,968	1,895
Other income (expense), gains and losses		227	427
Selling and distribution costs		(143)	(149)
General and administrative expenses		(1,882)	(1,963)
Interest expense on lease liabilities	4	(18)	(21)
Profit before tax	5	152	189
Tax credit	6	13	108
Profit for the period attributable to owners of the Company		165	297
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		707	205
Other comprehensive income for the period, net of tax		707	205
Total comprehensive income for the period attributable to owners of the Company		872	502
Earnings per share	8		
– Basic		0.02 US cents	0.04 US cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>NOTES</i>	30 June 2024 US\$'000 (unaudited)	31 December 2023 US\$'000 (audited)
Non-current assets			
Investment properties	9	19,432	19,534
Property, plant and equipment	10	64,931	64,927
Right-of-use assets		1,981	2,052
Accrued rentals		357	439
		86,701	86,952
Current assets			
Inventories		74	342
Trade and other receivables	11	2,384	1,279
Financial assets at fair value through profit or loss (“FVTPL”)		623	585
Bank balances and cash		9,496	9,858
		12,577	12,064
Current liabilities			
Trade and other payables	12	2,703	2,137
Lease liabilities		17	111
Provision for housing provident fund	14	346	345
Tax payable		453	609
		3,519	3,202
Net current assets		9,058	8,862
		95,759	95,814
Capital and reserves			
Share capital	13	9,428	9,428
Reserves		69,282	69,352
Total equity		78,710	78,780
Non-current liabilities			
Lease liabilities		703	689
Deferred tax liabilities		16,346	16,345
		17,049	17,034
		95,759	95,814

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to Hong Kong Financial Reporting Standards (“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 Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

	Six months ended 30 June	
	2024	2023
	US\$’000	US\$’000
	(unaudited)	(unaudited)
Revenue from contracts with customers:		
Manufacture and sales of footwear products	1,033	784
Revenue from other sources:		
Lease of properties	2,199	2,301
Total revenue	<u>3,232</u>	<u>3,085</u>

Revenue from manufacturing and sales of footwear

Revenue generated from manufacturing and sales of footwear products is recognised at a point in time. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specified location. The normal credit period is 60 days upon delivery. The contracts for manufacture and sales of footwear products are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Revenue from lease of properties

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. All operating lease payments are fixed for both years.

- (ii) The following is an analysis of the Group's revenue and results by operating and reportable segments under HKFRS 8 Operating Segments ("HKFRS 8"), based on information reported to the Company's executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance, which are based on types of goods or services delivered or provided. The Group's operating and reportable segments under HKFRS 8 are as follows:

Segment revenue and results

For the six months ended 30 June 2024

	Manufacturing and sales of footwear products US\$'000 (unaudited)	Lease of properties US\$'000 (unaudited)	Total US\$'000 (unaudited)
REVENUE	1,033	2,199	3,232
RESULTS			
Segment results	(142)	1,966	1,824
Unallocated other income (expense), gain and losses			227
Unallocated corporate expenses			(1,899)
Profit before tax			152

For the six months ended 30 June 2023

	Manufacturing and sales of footwear products <i>US\$'000</i> (unaudited)	Lease of properties <i>US\$'000</i> (unaudited)	Total <i>US\$'000</i> (unaudited)
REVENUE	<u>784</u>	<u>2,301</u>	<u>3,085</u>
RESULTS			
Segment results	<u>(383)</u>	<u>2,129</u>	1,746
Unallocated other income (expense), gain and losses			427
Unallocated corporate expenses			<u>(1,984)</u>
Profit before tax			<u>189</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the (loss) profit earned by each segment without allocation of other income (expense), gains and losses and unallocated corporate expenses. This is the measure reported to the CODM of the Group for the purpose of resources allocation and performance assessment.

4. INTEREST EXPENSE ON LEASE LIABILITIES

	Six months ended 30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Interest expense on lease liabilities	<u>18</u>	<u>21</u>

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	61	34
Other staff costs	1,259	1,025
Retirement benefits scheme contributions	81	83
	<hr/>	<hr/>
Total staff costs	1,401	1,142
Capitalised in inventories	(234)	(209)
	<hr/>	<hr/>
	1,167	933
	<hr/>	<hr/>
Auditor's remuneration	96	96
Cost of inventories recognised as an expense	1,032	1,018
Depreciation of property, plant and equipment	172	163
Depreciation of right-of-use assets	50	49
and after (crediting) charging to other income (expense), gains and losses:		
Redundancy costs	20	13
Gain on fair value changes of financial assets at FVTPL	(38)	(116)
Interest income	(164)	(136)
Net foreign exchange loss	(13)	127
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6. TAX CREDIT

	Six months ended 30 June	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profit Tax	–	2
People's Republic of China ("PRC") Enterprise Income Tax	(13)	(110)
	<hr/>	<hr/>
	(13)	(108)
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Under the two-tiered profits tax rates regime Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements and 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%. No provision has been made as the PRC subsidiaries incurred tax losses for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision has been made as the group entities incorporated in these jurisdictions have no assessable profits for both periods.

7. DIVIDENDS

During the current interim period, a final dividend of 1.0 HK cents per share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: Nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to US\$942,000 (six months ended 30 June 2023: Nil).

The directors of the Company have determined that no dividend will be paid in respect of the current interim period (2023: interim dividend of 1.0 HK cent per share).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of US\$165,000 (six months ended 30 June 2023: US\$297,000) and on the number of ordinary shares of 730,650,000 (2023: 730,650,000) in issue during the period.

There are no potential ordinary shares outstanding for six months ended 30 June 2024 and 2023.

9. INVESTMENT PROPERTIES

The directors of the Company are of the opinion that the carrying value of the Group’s investment properties as at 30 June 2024 are not materially different from their fair values at 31 December 2023. The management assessed the fair value of these investment properties which are determined based on valuations performed by RHL Appraisal Limited (“RHL”) on an income approach. RHL is an independent qualified professional valuers not connected with the Group. 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 six months ended 30 June 2024, the Group paid approximately US\$29,000 on addition of property, plant and equipment (six months ended 30 June 2023: US\$34,000).

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 2024 are not materially different from their fair values at 31 December 2023. 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 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)
Trade receivables	356	702
Other receivables	2,385	1,016
	<hr/>	<hr/>
Total trade and other receivables	2,741	1,718
Less: accrued rentals shown under non-current assets	(357)	(439)
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	2,384	1,279
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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 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)
0–30 days	256	411
31–60 days	95	249
Over 60 days	5	42
	<hr/>	<hr/>
Total trade receivables	356	702
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND OTHER PAYABLES

	30 June 2024	31 December 2023
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)
Trade payables	526	110
Accrued payroll	256	248
Accrued expenses	305	393
Rental deposit received	666	665
Others	950	721
	<hr/>	<hr/>
	2,703	2,137
	<hr/> <hr/>	<hr/> <hr/>

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 2024 US\$'000 (unaudited)	31 December 2023 US\$'000 (audited)
0–30 days	2	34
31–60 days	3	17
Over 60 days	<u>521</u>	<u>59</u>
Total trade payable	<u><u>526</u></u>	<u><u>110</u></u>

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
Authorised:		
<i>Ordinary shares of Hong Kong dollar (“HK\$”) 0.10 each</i>		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>1,500,000,000</u>	<u>19,355</u>
<i>Convertible non-voting preference shares of US\$100,000 each</i> (Note)		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>150</u>	<u>15,000</u>
		<u><u>34,355</u></u>

	Number of shares		Amount	
	30 June 2024 '000	31 December 2023 '000	30 June 2024 US\$'000	31 December 2023 US\$'000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	<u>730,650</u>	<u>730,650</u>	<u>9,428</u>	<u>9,428</u>

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 2024 and year ended 31 December 2023.

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 announcement, 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 condensed consolidated financial statements as at 30 June 2024.

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 2024, the Group achieved a revenue of US\$3,232,000 (six months ended 30 June 2023: US\$3,085,000) compared with the six months ended 30 June 2023, the revenue increased by 4.8%.

Profit before taxation of the Group for the six months ended 30 June 2024 was US\$152,000 (six months ended 30 June 2023: profit before tax US\$189,000).

Basic profit per share for the six months ended 30 June 2024 was 0.02 US cents (six months ended 30 June 2023: basic profit per share 0.04 US cents). The gross profit is US\$1,968,000 during the current period.

BUSINESS REVIEW AND PROSPECTS

In the first half of 2024, the global environment remained complicated, with inflation pressures unabated and signs of escalating armed conflicts across various regions. These factors led to continued political and economic volatility, keeping the road to economic recovery beyond sight. Coupled with high interest rates, the landscape was unfavorable for corporate financing and development. In order to cope with the potential downside risks of the global economy, the general consumer purchasing sentiment has diminished, leading to a weaker retail market, especially in the consumer goods sector.

The Group, as a footwear export manufacturing enterprise, was not immune to these impacts. Owing to the trust from our customers and the dedication of our sales and production staff in maintaining excellent service and product quality, our footwear exports remained stable in the first six-month period, comparable to the previous year.

The rental business of idle factory space remained stable for the first half of the year, with rental income contributing good cash flow to the Group. Due to economic fluctuations in mainland China, the Group will exercise more caution in seeking new tenants, by meticulously reviewing tenants' business and financial capabilities. Simultaneously, efforts will be made to negotiate early lease renewals with existing high-quality tenants to maximize the utilization of rentable space.

The second half of 2024 is fraught with uncertainties in global political dynamics, and therefore it remains unclear that the overall economic trend can be reversed. It is anticipated that the general consumer sentiment will remain subdued, challenging business operations. The Group will timely adjust its operational strategies, while adhering to its long-standing principle of financial prudence to navigate through the diverse challenges that may arise in the ever-changing market landscape.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group's total net assets was US\$78,710,000, comprising mainly current assets of US\$12,577,000, non-current assets of US\$86,701,000, current liabilities of US\$3,519,000 and non-current liabilities of US\$17,049,000. As at 30 June 2024, the Group had cash and cash equivalent of US\$9,496,000 (as at 31 December 2023: US\$9,858,000). As at 30 June 2024, the Group did not have any bank borrowing, the management considered that current ratio is a better indicator to reflect the Group's financial position. The current ratio of 3.6 (as at 31 December 2023: 3.8) times was derived by the total current assets of US\$12,577,000 (2023: US\$12,064,000) divided by the total current liabilities of US\$3,519,000 (2023: US\$3,202,000) as at 30 June 2024.

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 2024, 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 2024.

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 months ended 30 June 2024.

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 2024, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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).

The interim report for the six months end 30 June 2024 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders and published on the websites of the Stock Exchange of Hong Kong Limited and the Company in due course.

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

Hong Kong, 29 August 2024

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
Wu Meng Lung

Independent Non-executive Directors:

Lai Jenn Yang, Jeffrey
Wu Wen Yen
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).