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PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 676)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS

The Board of Directors (the "Directors") of Pegasus International Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 with comparative figures for the corresponding period in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** *US$'000*	2016 *US$'000*
Revenue	3	**76,046**	79,330
Cost of sales		**(65,327)**	(67,869)
Gross profit		**10,719**	11,461
Other income, gains and losses		**1,021**	1,119
Selling and distribution costs		**(3,121)**	(3,579)
General and administrative expenses		**(7,861)**	(8,446)
Share of profit of an associate		**15**	24
Profit before tax	4	**773**	579
Tax expense	5	**(190)**	(351)
Profit for the year attributable to owners of the Company		**583**	228
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**3,594**	(6,929)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation increase on buildings		**1,677**	3,057
Deferred tax recognised on revaluation of buildings		**(419)**	(764)
		1,258	2,293
Other comprehensive income (expense) for the year, net of tax		**4,852**	(4,636)
Total comprehensive income (expense) for the year attributable to owners of the Company		**5,435**	(4,408)
Earnings per share			
Basic	7	**0.08 US cents**	0.03 US cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	**2017** **US$'000**	2016 US$'000
Non-current assets			
Property, plant and equipment		**53,471**	51,519
Prepaid lease payments		**4,618**	4,594
Interest in an associate		**626**	611
		58,715	56,724
Current assets			
Inventories		**9,653**	14,572
Trade and other receivables	8	**6,681**	8,751
Prepaid lease payments		**171**	164
Financial assets at fair value through profit or loss		**743**	1,277
Bank balances and cash		**24,694**	14,163
Tax recoverable		**14**	17
		41,956	38,944
Current liabilities			
Trade and other payables	9	**9,553**	8,055
Tax payable		**900**	574
		10,453	8,629
Net current assets		**31,503**	30,315
		90,218	87,039
Capital and reserves			
Share capital		**9,428**	9,428
Share premium and reserves		**76,730**	74,123
Total equity		**86,158**	83,551
Non-current liabilities			
Deferred tax liabilities		**4,060**	3,488
		90,218	87,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. APPLICATION OF NEW AND REVISED HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

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, Asia, Europe and other regions. However, the chief operating decision maker 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 year ended 31 December 2017

	North America *US$'000*	**Asia** *US$'000*	**Europe** *US$'000*	**Other regions** *US$'000*	**Total** *US$'000*
REVENUE					
External sales of goods	**53,070**	**11,283**	**8,355**	**3,338**	**76,046**
RESULTS					
Segment results	**8,808**	**706**	**806**	**326**	**10,646**
Unallocated income, gains and losses					**957**
Interest income					**64**
Unallocated expenses					**(10,909)**
Share of profit of an associate					**15**
Profit before tax					**773**
Tax expense					**(190)**
Profit for the year					**583**

For the year ended 31 December 2016

	North America *US$'000*	Asia *US$'000*	Europe *US$'000*	Other regions *US$'000*	Total *US$'000*
REVENUE					
External sales of goods	52,028	13,626	6,885	6,791	79,330
RESULTS					
Segment results	9,072	913	710	686	11,381
Unallocated income, gains and losses					1,050
Interest income					69
Unallocated expenses					(11,945)
Share of profit of an associate					24
Profit before tax					579
Tax expense					(351)
Profit for the year					228

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses, interest income, gain/loss on fair value changes of held for trading investments, net exchange loss/gain, central administration costs, directors' emoluments and share of profit/loss of an associate. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

Other segment information

	North America	Asia	Europe	Other regions	Subtotal	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts included in the measure of segment profit or loss:							
For the year ended 31 December 2017							
Depreciation	**1,053**	**224**	**166**	**66**	**1,509**	**462**	**1,971**
For the year ended 31 December 2016							
Depreciation	1,069	280	141	139	1,629	229	1,858

The reconciling item is the depreciation of the corporate headquarters building and furniture, fixtures and equipment, which is not included in segment profit or loss.

Revenue from major product

The Group's revenue for both years was generated from manufacturing and sales of footwear.

Geographical information

The Group's revenue from external customers based on the destination of the goods shipped or delivered is detailed below:

	2017	2016
	US$'000	*US$'000*
United States of America	**51,384**	49,796
People's Republic of China ("PRC")	**3,778**	6,362
Belgium	**5,827**	4,529
South Korea	**2,309**	1,400
Japan	**3,351**	3,015
Others	**9,397**	14,228
	76,046	79,330

The Group's operations are located in the PRC, Hong Kong and Taiwan. The information about its non-current assets by geographical location and place of operations are detailed below:

	2017	2016
	US$'000	*US$'000*
PRC	**58,644**	56,697
Hong Kong	**70**	26
Taiwan	**1**	1
	58,715	56,724

Information about major customers

Revenue from customers which contributed over 10% to the Group's total revenue for the corresponding years are as follows:

	2017	2016
	US$'000	*US$'000*
Customer A	**66,078**	67,113

The revenue of the above customer sourced from its various locations in North America, Asia and Europe.

4. PROFIT BEFORE TAX

	2017	2016
	US$'000	*US$'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**347**	482
Other staff costs	**30,662**	32,471
Retirement benefits scheme contributions (excluding contributions in respect of directors)	**3,274**	4,518
Total staff costs	**34,283**	37,471
Auditor's remuneration	**158**	150
Cost of inventories recognised as an expense *(Note)*	**65,327**	67,869
Depreciation of property, plant and equipment	**1,971**	1,858
Provision for housing provident fund (included in cost of sales) *(note 10)*	**2,378**	–
Release of prepaid lease payments	**172**	176
and after charging (crediting) to other income, gains and losses:		
Loss on disposal of property, plant and equipment	**520**	113
Gain on fair value changes of held for trading investments	**(163)**	(4)
Interest income	**(64)**	(69)
Net foreign exchange gain	**(193)**	(369)

Note: Included in arriving at cost of inventories is an amount of US$1,039,000 (2016: US$611,000) recognised as write-down of inventories in respect of finished goods and a reversal of allowance for inventories of US$1,769,000 (2016: nil).

5. TAX EXPENSE

	2017	2016
	US$'000	*US$'000*
Current tax:		
Hong Kong Profits Tax	**27**	30
PRC Enterprise Income Tax	**163**	322
	190	352
Overprovision in prior years:		
Hong Kong Profits Tax	**–**	(1)
	190	351

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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, the Group is not subject to taxation in any other jurisdictions.

6. DIVIDENDS

	2017	2016
	US$'000	*US$'000*
Dividends recognised as a distribution during the year:		
2017 interim – 2.0 HK cents (2016: 1.0 HK cents) per share	**1,886**	943
2016 final – 1.0 HK cents (2016: 2015 final dividend 1.0 HK cents) per share	**942**	942
	2,828	1,885

A final dividend of 2.0 HK cents per share in respect of the year ended 31 December 2017 (2016: 1.0 HK cents) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of US$583,000 (2016: US$228,000) and on the number of ordinary shares of 730,650,000 (2016: 730,650,000) in issue during the year.

There are no potential ordinary shares outstanding for each of the two years ended 31 December 2017.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	US$'000	*US$'000*
Trade receivables	**5,842**	7,583
Other receivables	**839**	1,168
Total trade and other receivables	**6,681**	8,751

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:

	2017	2016
	US$'000	*US$'000*
0–30 days	**4,645**	6,862
31–60 days	**1,196**	716
Over 60 days	**1**	5
Total trade receivables	**5,842**	7,583

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits by customer. Limits attributed to customers are reviewed periodically. 99.9% (2016: 99.9%) of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of US$1,000 (2016: US$5,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which were past due but not impaired

	2017	2016
	US$'000	*US$'000*
Over 121 days	**1**	5

9. TRADE AND OTHER PAYABLES

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

	2017	2016
	US$'000	*US$'000*
0–30 days	**1,557**	2,569
31–60 days	**542**	239
Over 60 days	**1,073**	523
Total trade payables	**3,172**	3,331
Other payables	**6,381**	4,724
	9,553	8,055

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.

The other payables mainly consist of receipt in advance, accrued payroll, other accrued expenses and provision for housing provident fund for both years.

10. CONTINGENT LIABILITIES

During the year ended 31 December 2017, claims against a subsidiary of the Group in respect of housing provident fund were initiated by the employees of this 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, after considering the advice from legal advisor and based on the current facts and circumstances, provision for housing provident fund of approximately US$2,378,000 (2016: nil) has been made in profit or loss and the directors of the Company believe that appropriate provisions has been made in the Group's consolidated financial statements for the year ended 31 December 2017.

FINAL DIVIDEND

The Directors proposed a final dividend of 2.0 HK cents per ordinary share for the year ended 31 December 2017 to shareholders whose names appear on the register of members of the Company on 1 June 2018. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 11 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 May 2018 to Monday, 21 May 2018, both days inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the forth coming annual general meeting, all transfer documents accompanied by the relevant share certificate must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 15 May 2018.

In addition, the register of members of the Company will be closed from Wednesday, 30 May 2018 to Friday, 1 June 2018, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificate must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 29 May 2018.

RESULTS REVIEW

Results

I am pleased to present our annual results for the year ending 31 December 2017. The Group recorded a net profit after taxation of US$583,000 (2016: US$228,000), and decrease of turnover from US$79,330,000 in 2016 to US$76,046,000 in this year. Gross profit margin slightly decreased from 14.4% in 2016 to 14.1% in this year.

Geographical Market

North America remains the largest export market of the Group, accounting for 69.8% of the Group's turnover. Turnover contribution from the Asia and European market and other regions represented 14.8%, 11.0% and 4.4% respectively.

BUSINESS REVIEW

The year 2017 has been a challenging year. With incessant political disputes among Western countries, the economy and capital failed to find a clear path forward, leading to more conservative market sentiment than the previous year. The Group strove to win new customers and bring new drivers to our business on top of existing ones. As always, Group's competitiveness and profitability were undermined by high costs such as salary and benefits in China.

SOCIAL RESPONSIBILITY

The Group upholds sound corporate responsibility principles. The Social Responsibility Department of the Group maintains and monitors data on gas discharged and waste derived in the course of production on an on-going basis while the plants steadfastly abide by the environmental protection rules and procedures formulated in accordance with relevant laws and regulations to minimize the impacts on the surrounding environment. The Group is concerned about the needs of employees and local communities and is devoted to sponsoring various local charity events and caring for local residents. In addition, we endeavor to improve work safety and provide proper training for employees at various levels to improve their work efficiency.

PROSPECTS

The coming year is expected to witness escalating trade wars underpinned by protectionism as well as volatile global economy, with the export-led manufacturing industry in China bearing the brunt. Combining its existing experience and strength, the Group will continue to prudently manage its funds and optimize product quality to earn the trust of customers and suppliers, thereby achieving satisfactory results for stakeholders of the Group.

APPRECIATION

I would like to express my heart-felt appreciation to all members of the Board, the executives, and all employees of the Group for their dedication and contribution and thank all business partners and shareholders on behalf of the Group for their trust and long-standing support.

FINANCIAL REVIEW

During the year ended 31 December 2017, the Group continued to concentrate on the manufacture and sales of footwear products. For the year ended 31 December 2017, the Group recorded a turnover of US$76,046,000 (2016: US$79,330,000) representing 4.1% decrease comparing to 2016.

Profit before taxation of the Group for the year ended 31 December 2017 was US$773,000 (2016: US$579,000), an increase of US$194,000 as compared to the corresponding period in 2016. After accounting for income taxes expense of US$190,000 (2016: US$351,000), resulted a profit after taxation of US$583,000 (2016: US$228,000). Basic earnings per share for the year ended 31 December 2017 was 0.08 US cents (2016: 0.03 US cents). Gross profit margin increased to 14.1% in this year. In addition, the Group continued to exercise tight cost control and implemented policies to improve efficiency.

The Group will continue to observe this conservative approach, to stay in low gearing ratio, in formulating resources allocation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business needs with internal cash flows. Since the global finance crisis couple of years ago, the Group put great effort to maintain a healthy and strong financial position, and the main focus was cash flow management. Trade receivables were reviewed regularly to ensure that were neither past due nor impaired, and trade payables were scheduled to match our cash flow pattern. Spending, capital expenditure, other than necessary, were greatly controlled. As at 31 December 2017, the Group had cash and cash equivalent of US$24,694,000 (2016: US$14,163,000). As at 31 December 2017, the Group's solid financial liquidity position was reflected by a healthy current ratio of 4.0 (2016: 4.5) times.

CAPITAL EXPENDITURE

For the year ended 31 December 2017, the Group incurred US$767,000 in capital expenditure, of which approximately 100% was used in acquisition and replacement of plant and machinery.

EMPLOYEES AND REMUNERATION POLICIES

The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on performance related basis. There are incentives in the form of discretionary performance bonus and offer equal opportunities to all staff.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2016 and the year ended 31 December 2017.

CONTINGENT LIABILITIES

Except for those disclosed in note 10 to this results announcement, the Group had no other contingent liabilities as at 31 December 2017.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the financial year ended 31 December 2017, the Company complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and such amendments and revisions under the Corporate Governance Code effective from 1 April 2012.

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 year ended 31 December 2017.

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 audited consolidated financial statements for the year ended 31 December 2017.

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

Hong Kong, 27 March 2018

As at the date of this announcement, the executive directors are Mr. Wu Chen San, Thomas, Mr. Wu Jenn Chang, Michael, Mr. Wu Jenn Tzong, Jackson and Mr. Ho Chin Fa, Steven. The independent non-executive directors are Mr. Huang Hung Ching, Mr. Lai Jenn Yang, Jeffrey and Mr. Liu Chung Kang, Helios.

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).