# PEGASUS INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 676)

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

**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 2018 with comparative figures for the corresponding period in 2017.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*FOR THE YEAR ENDED 31 DECEMBER 2018*

| | *NOTES* | **2018** *US$'000* | 2017 *US$'000* |
|---|---|---|---|
| Revenue | 3 | **38,965** | 76,046 |
| Cost of sales | | **(33,849)** | (65,327) |
| Gross profit | | **5,116** | 10,719 |
| Other (expense) income, gains and losses, net | | **(12,197)** | 1,021 |
| Selling and distribution costs | | **(1,849)** | (3,121) |
| General and administrative expenses | | **(6,312)** | (7,861) |
| Share of result of an associate | | **(120)** | 15 |
| (Loss) profit before tax | 4 | **(15,362)** | 773 |
| Tax credit (expense) | 5 | **96** | (190) |
| (Loss) profit for the year attributable to owners of the Company | | **(15,266)** | 583 |
| **Other comprehensive (expense) income** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **(1,952)** | 3,594 |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Revaluation (decrease) increase on buildings | | **(852)** | 1,677 |
| Deferred tax recognised on revaluation of buildings | | **213** | (419) |
| | | **(639)** | 1,258 |
| Other comprehensive (expense) income for the year, net of tax | | **(2,591)** | 4,852 |
| Total comprehensive (expense) income for the year attributable to owners of the Company | | **(17,857)** | 5,435 |
| (Loss) earnings per share | 7 | | |
| Basic | | **(2.09 US cents)** | 0.08 US cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2018*

| | NOTES | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **46,023** | 53,471 |
| Prepaid lease payments | | **4,227** | 4,618 |
| Interest in an associate | | **506** | 626 |
| | | **50,756** | 58,715 |
| Current assets | | | |
| Inventories | | **4,786** | 9,653 |
| Trade and other receivables | 8 | **1,435** | 6,681 |
| Prepaid lease payments | | **163** | 171 |
| Tax recoverable | | **–** | 14 |
| Financial assets at fair value through profit or loss | | **602** | 743 |
| Bank balances and cash | | **19,441** | 24,694 |
| | | **26,427** | 41,956 |
| Current liabilities | | | |
| Trade and other payables | 9 | **3,159** | 7,175 |
| Provision for housing provident fund | 10 | **3,078** | 2,378 |
| Tax payable | | **881** | 900 |
| | | **7,118** | 10,453 |
| Net current assets | | **19,309** | 31,503 |
| | | **70,065** | 90,218 |
| Capital and reserves | | | |
| Share capital | | **9,428** | 9,428 |
| Share premium and reserves | | **56,987** | 76,730 |
| Total equity | | **66,415** | 86,158 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | **3,650** | 4,060 |
| | | **70,065** | 90,218 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 31 DECEMBER 2018*

## 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

**New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

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

**HKFRS 15 *"Revenue from Contracts with Customers"***

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from manufacture and sales of footwear products at a point in time.

The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that there is no material financial impact on the timing and amounts of revenue recognised in prior and current years.

**HKFRS 9 *"Financial Instruments"***

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

***Classification and measurement of financial assets***

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, US$743,000 of the Group's investments were considered as held for trading and continued to be measured at fair value through profit or loss ("FVTPL").

The directors of the Company reviewed and assessed the Group's other financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Except as described above, the application of HKFRS 9 has no impact in the classification and measurement on the Group's financial assets.

***Impairment under ECL model***

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit-impaired under HKAS 39, trade receivables have been assessed individually based on internal credit rating.

ECL for other financial assets at amortised cost, including bank balances and other receivables, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and have concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1 January 2018 has been recognised.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the manufacture and sales of footwear products recognised at a point in time during the year. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the designated location (delivery). The average credit period is 60 days upon delivery. Sales-related warranties associated with the goods cannot be purchased separately and they serve as an assurance that the goods sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 *Provision, Contingent Liabilities and Contingent Assets* consistent with its previous accounting treatment.

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.

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 reportable and operating segments determined based on location of geographical markets are North America, Asia and Europe. The other regions segment includes the revenue and operating results analysis in various locations other than those disclosed above. 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.

All revenue from contracts with customers recognised at a point in time.

**Segment revenue and results**

**For the year ended 31 December 2018**

| | North America *US$'000* | Asia *US$'000* | Europe *US$'000* | Other regions *US$'000* | Total *US$'000* |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| External sales of goods | **19,644** | **10,429** | **6,930** | **1,962** | **38,965** |
| RESULTS | | | | | |
| Segment results | **2,524** | **1,778** | **584** | **165** | **5,051** |
| Unallocated income, gains and losses | | | | | **1,299** |
| Interest income | | | | | **236** |
| Unallocated expenses | | | | | **(21,828)** |
| Share of result of an associate | | | | | **(120)** |
| Loss before tax | | | | | **(15,362)** |

**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 result of an associate | | | | | 15 |
| Profit before tax | | | | | 773 |

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, net gain/loss on fair value changes of financial assets at FVTPL, net exchange gain, central administration costs, directors' emoluments and share of result of an associate. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

**Revenue from major product**

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

**Geographical information**

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

| | **2018** ***US$'000*** | 2017 *US$'000* |
|---|---|---|
| United States of America | **18,600** | 51,384 |
| People's Republic of China ("PRC") | **2,996** | 3,778 |
| Belgium | **4,905** | 5,827 |
| South Korea | **2,129** | 2,309 |
| Japan | **4,134** | 3,351 |
| Others | **6,201** | 9,397 |
| | **38,965** | 76,046 |

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:

| | **2018** | 2017 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| PRC | **50,703** | 58,644 |
| Hong Kong | **52** | 70 |
| Taiwan | **1** | 1 |
| | **50,756** | 58,715 |

**Information about major customers**

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

| | **2018** | 2017 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Customer A | **33,916** | 66,078 |

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

## 4. (LOSS) PROFIT BEFORE TAX

| | 2018<br>US$'000 | 2017<br>US$'000 |
|---|---|---|
| (Loss) profit before tax has been arrived at after charging: | | |
| Directors' emoluments | **236** | 347 |
| Other staff costs | **26,885** | 30,662 |
| Retirement benefits scheme contributions (excluding contributions in respect of directors) | **2,036** | 3,274 |
| Total staff costs | **29,157** | 34,283 |
| Auditor's remuneration | **170** | 158 |
| Cost of inventories recognised as an expense (note 1) | **33,149** | 62,949 |
| Depreciation of property, plant and equipment | **1,683** | 1,971 |
| Provision for housing provident fund (included in cost of sales) (Note 10) | **700** | 2,378 |
| Release of prepaid lease payments | **177** | 172 |
| and after charging (crediting) to other (expense) income, gains and losses, net: | | |
| Loss on disposal of property, plant and equipment | **8** | 520 |
| Impairment loss recognised in respect of plant and machinery (included in other expense) (note 3) | **2,549** | – |
| Redundancy costs (included in other expense) (note 2) | **11,183** | – |
| Net loss (gain) on financial assets at fair value through profit or loss | **141** | (163) |
| Interest income | **(236)** | (64) |
| Net foreign exchange gain | **(1,151)** | (193) |

*Notes:*

1. Included in cost of inventories recognised as an expense is write-down of inventories of US$2,259,000 (2017: net reversal of allowance on inventories of US$730,000).

2. During the year ended 31 December 2018, the Group streamlined its business operation and carried out a series of staff integration, accordingly the Group recognised redundancy costs of US$11,183,000 (2017: nil).

3. During the year ended 31 December 2018, the Group conducted an impairment review of the Group's plant and machinery due to the Group no longer continue business relationship with a largest customer, accordingly the Group recognised impairment loss in respect of its plant and machinery of US$2,549,000 (2017:nil).

## 5. TAX CREDIT (EXPENSE)

| | **2018** | 2017 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Current tax: | | |
| Hong Kong Profits Tax | **19** | 27 |
| PRC Enterprise Income Tax | **–** | 163 |
| | **19** | 190 |
| Overprovision in prior years: | | |
| PRC Enterprise Income Tax | **(115)** | – |
| | **(96)** | 190 |

## 6. DIVIDENDS

| | **2018** | 2017 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Dividends recognised as a distribution during the year: | | |
| 2018 interim – nil (2017: 2.0 HK cents per shares) | **–** | 1,886 |
| 2017 final – 2.0 HK cents (2017: 2016 final dividend 1.0 HK cents) per share | **1,886** | 942 |
| | **1,886** | 2,828 |

No final dividend in respect of the year ended 31 December 2018 (2017: 2.0 HK cents) has been proposed by the directors.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the year attributable to owners of the Company of US$15,266,000 (2017: profit for the year attributable to owners of the Company of US$583,000) and on the number of ordinary shares of 730,650,000 (2017: 730,650,000) in issue during the year.

There are no potential ordinary shares outstanding for each of the two years ended 31 December 2018 and 2017.

## 8. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|---|---|---|
| | *US$'000* | *US$'000* |
| Trade receivables | **826** | 5,842 |
| Prepayment and other deposit | **297** | 529 |
| Refundable rental deposit | **31** | 31 |
| Other receivables | **281** | 279 |
| Total trade and other receivables | **1,435** | 6,681 |

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to US$826,000 and US$5,842,000 respectively.

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:

| | 2018 | 2017 |
|---|---|---|
| | *US$'000* | *US$'000* |
| 0 – 30 days | **823** | 4,645 |
| 31 – 60 days | **–** | 1,196 |
| Over 60 days | **3** | 1 |
| Total trade receivables | **826** | 5,842 |

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.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of US$3,000 at the end of the reporting period has been past due for 90 days or more but is not considered as in default based on historical records of settlement.

As at 31 December 2017, 99.9% of the trade receivables that are neither past due nor impaired have no default payment history.

As at 31 December 2017, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of US$1,000 which were past due for over 121 days 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.

## 9. TRADE AND OTHER PAYABLES

| | **2018** | 2017 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade payables | **905** | 3,172 |
| Accrued payroll | **629** | 2,134 |
| Accrued expenses | **671** | 503 |
| Others | **954** | 1,366 |
| | **3,159** | 7,175 |

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

| | **2018** | 2017 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 0 – 30 days | **671** | 1,557 |
| 31 – 60 days | **93** | 542 |
| Over 60 days | **141** | 1,073 |
| Total trade payables | **905** | 3,172 |

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.

## 10. 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, after considering the current facts and circumstances, provision for housing provident fund of US$700,000 (2017: US$2,378,000) has been made in profit or loss during the year ended 31 December 2018. The directors of the Company believe that adequate provisions has been made in the Group's consolidated financial statements as at 31 December 2018.

## FINAL DIVIDEND

The Directors does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: final dividend of 2.0 HK cents per ordinary share).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, 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 Wednesday, 22 May 2019.

## RESULTS REVIEW

### Results

I am pleased to present our annual results for the year ending 31 December 2018. The Group recorded a net loss after taxation of US$15,266,000 (2017: net profit after taxation of US$583,000), and decrease of turnover from US$76,046,000 in 2017 to US$38,965,000 in this year. Gross profit margin slightly decreased from 14.1% in 2017 to 13.1% in this year.

### Geographical Market

North America remains the largest export market of the Group, accounting for 50.4% of the Group's turnover. Turnover contribution from the Asia and European market and other regions represented 26.8%, 17.8% and 5.0% respectively.

## BUSINESS REVIEW AND PROSPECTS

For the entire export manufacturing industry in China, 2018 was the toughest and the jerkiest year in recent decade. Through nearly 12 months of trade negotiation with the United States, a consensus has yet to be reached until today, while other European countries are also showing signs of joining the force one after another, whereby new trade protectionist barriers are gradually emerging. Under the uncertainty of a growing list of new tariff-imposed products, customers also tend to remain conservative in supplier selection, and the locality of manufacturer has become a key considering factor.

As stated in our announcement last year, the Group and its largest customer had reached a commercial consensus that the business relationship would no longer continue since September last year, which undoubtedly had caused significant impact on our operation. As such, the Group made corresponding adjustments to our operation and carried out a series of staff integration in stages in the second half year to enhance efficiency. This had enabled the Group to continue our normal production business and improved our competitive strengths, and at the same time maintained a good communication and cooperation relationship with our existing clients. On the other hand, the Group will also try to pool our potentials together and leverage our own advantages in assets and healthy financial position to explore different business development opportunities.

## 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 2018, the Group continued to concentrate on the manufacture and sales of footwear products. For the year ended 31 December 2018, the Group recorded a turnover of US$38,965,000 (2017: US$76,046,000) representing 48.8% decrease comparing to 2017.

Loss before taxation of the Group for the year ended 31 December 2018 was US$15,362,000 (2017: profit before taxation of US$773,000), an decrease of US$16,135,000 as compared to the corresponding period in 2017. After accounting for income taxes credit of US$96,000 (2017: income taxes expense of US$190,000), resulted a loss after taxation of US$15,266,000 (2017: profit after taxation of US$583,000). Basic loss per share for the year ended 31 December 2018 was 2.09 US cents (2017: Basic earnings per share of 0.08 US cents). Gross profit margin decrease to 13.1% 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 2018, the Group had cash and cash equivalent of US$19,441,000 (2017: US$24,694,000). As at 31 December 2018, the Group's solid financial liquidity position was reflected by a healthy current ratio of 3.7 (2017: 4.0) times.

## CAPITAL EXPENDITURE

For the year ended 31 December 2018, the Group incurred US$39,000 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 2018 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 2017 and the year ended 31 December 2018.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the financial year ended 31 December 2018, 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 2018.

## 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 2018.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report for the year 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, 28 March 2019

*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.*