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# PEGASUS INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 676)**

## ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

### AUDITED ANNUAL RESULTS

The board of directors (the "Board") 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 2022 with comparative figures for the corresponding period in 2021.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

| | *NOTES* | **2022** *US$'000* | 2021 *US$'000* |
|---|---|---|---|
| Revenue | 3 | **9,254** | 7,308 |
| Cost of sales and services | | **(4,731)** | (4,983) |
| Gross profit | | **4,523** | 2,325 |
| Other income | | **457** | 569 |
| Other gains and losses | | **(390)** | 542 |
| Fair value increase (decrease) of investment properties | | **561** | (855) |
| Selling and distribution costs | | **(453)** | (480) |
| General and administrative expenses | | **(2,744)** | (3,053) |
| Other expense | | **(77)** | (170) |
| Interest expense on lease liabilities | | **(44)** | (40) |
| Profit (loss) before tax | 4 | **1,833** | (1,162) |
| Tax (expense) credit | 5 | **(150)** | 205 |
| Profit (loss) for the year attributable to owners of the Company | | **1,683** | (957) |
| **Other comprehensive (expense) income** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **(8,462)** | 2,585 |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Revaluation increase on buildings | | **6,774** | 15,102 |
| Revaluation surplus of right-of-use assets transferred to investment properties | | **2,097** | 18,330 |
| Deferred tax recognised on revaluation of buildings | | **(1,694)** | (3,776) |
| Deferred tax recognised on revaluation surplus of investment properties reclassified from right-of-use assets to investment properties | | **(524)** | (4,583) |
| | | **6,653** | 25,073 |
| Other comprehensive (expense) income for the year, net of tax | | **(1,809)** | 27,658 |
| Total comprehensive (expense) income for the year attributable to owners of the Company | | **(126)** | 26,701 |
| Earnings (loss) per share | 7 | | |
| Basic | | **US cents 0.23** | US cents (0.13) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2022*

| | *NOTES* | **2022** **US$'000** | 2021 *US$'000* |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **19,788** | 19,660 |
| Investment properties | | **65,518** | 66,601 |
| Right-of-use assets | | **2,310** | 2,919 |
| Accrued rentals | 8 | **206** | 88 |
| | | **87,822** | 89,268 |
| Current assets | | | |
| Inventories | | **557** | 1,366 |
| Trade and other receivables | 8 | **2,196** | 2,005 |
| Financial assets at fair value through profit or loss ("FVTPL") | | **451** | 436 |
| Bank balances and cash | | **8,588** | 8,780 |
| | | **11,792** | 12,587 |
| Current liabilities | | | |
| Trade and other payables | 9 | **2,601** | 2,963 |
| Lease liabilities | | **106** | 112 |
| Provision for housing provident fund | 10 | **421** | 1,400 |
| Tax payable | | **773** | 960 |
| | | **3,901** | 5,435 |
| Net current assets | | **7,891** | 7,152 |
| | | **95,713** | 96,420 |
| Capital and reserves | | | |
| Share capital | | **9,428** | 9,428 |
| Reserves | | **69,119** | 70,188 |
| Total equity | | **78,547** | 79,616 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | **16,367** | 15,824 |
| Lease liabilities | | **799** | 980 |
| | | **17,166** | 16,804 |
| | | **95,713** | 96,420 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements.

| | |
|---|---|
| Amendment to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 |

The application of the 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.

**New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[3] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or 1 January 2024.

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

***Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)" (the "2020 Amendments")***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least 12 months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the "Amendments to HKAS 1" to align the corresponding wordings with no change in conclusion.

***Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")***

The 2022 Amendments modify the requirements introduced by the 2020 Amendment on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

***Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"***

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

*Amendments to HKAS 8 "Definition of Accounting Estimates"*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

**Disaggregation of revenue**

| | **2022** | 2021 |
|---|---:|---:|
| | ***US$'000*** | *US$'000* |
| **Revenue from contracts with customers:** | | |
| Manufacture and sales of footwear products | **5,051** | 4,662 |
| **Revenue from other sources:** | | |
| Lease of properties | **4,203** | 2,646 |
| **Total revenue** | **9,254** | 7,308 |

***Revenue from manufacturing and sales of footwear***

Revenue generated from manufacturing and sales of footwear products is recognised at a point in time.

The Group's contracts with customers for manufacturing and sales of footwear products are based on customer's specification with no alternative use to the Group. Taking into consideration for contract terms and the relevant legal and regulatory environment that apply to those relevant contracts, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specified location.

Transportation and handling activities that occur before the customers obtain control are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods and bears the risks of obsolescence and loss relation to the goods. 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.

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 year ended 31 December 2022**

| | **Manufacture and sales of footwear products** | **Lease of properties** | **Total** |
|---|---|---|---|
| | ***US$'000*** | ***US$'000*** | ***US$'000*** |
| REVENUE | **5,051** | **4,203** | **9,254** |
| RESULTS | | | |
| Segment results | **223** | **4,408** | **4,631** |
| Unallocated other income | | | **457** |
| Unallocated other gains and losses | | | **(390)** |
| Unallocated other expense | | | **(77)** |
| Unallocated corporate expenses | | | **(2,788)** |
| Profit before tax | | | **1,833** |

**For the year ended 31 December 2021**

| | Manufacture and sales of footwear products | Lease of properties | Total |
|---|---|---|---|
| | *US$'000* | *US$'000* | *US$'000* |
| REVENUE | 4,662 | 2,646 | 7,308 |
| RESULTS | | | |
| Segment results | (489) | 1,479 | 990 |
| Unallocated other income | | | 569 |
| Unallocated other gains and losses | | | 542 |
| Unallocated other expense | | | (170) |
| Unallocated corporate expenses | | | (3,093) |
| Loss before tax | | | (1,162) |

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

**Revenue from footwear products and lease of properties**

The Group's revenue was generated from manufacture and sales of footwear products, and rental income from lease of properties for both years.

**Geographical information**

The Group's revenue from contracts with customer generated from manufacture and sales of footwear products based on the destination of the goods shipped or delivered, is detailed below:

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| United States of America | **2,644** | 1,438 |
| Morocco | **564** | 1,176 |
| Others | **1,843** | 2,048 |
| | **5,051** | 4,662 |

The Group's rental income generated from lease of properties in the PRC amounted to US$4,203,000 (2021: US$2,646,000).

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

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| PRC | **87,616** | 89,180 |

**Information about major customers**

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

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Customer A* | **5,051** | 4,662 |
| Customer B | **1,800** | 897 |

* The revenue of the above customer is generated from the manufacturing and sales of footwear products to various locations in North America, Asia and Europe.

## 4. PROFIT(LOSS) BEFORE TAX

| | 2022 | 2021 |
|---|---|---|
| | *US$'000* | *US$'000* |
| Profit (loss) before tax has been arrived at after changing: | | |
| Directors' emoluments | **100** | 80 |
| Other staff costs | **2,036** | 2,858 |
| Retirement benefits scheme contributions | **197** | 217 |
| Total staff costs | **2,333** | 3,155 |
| Capitalised in inventories | **(1,138)** | (1,435) |
| | **1,195** | 1,720 |
| Auditor's remuneration | **191** | 191 |
| Cost of inventories recognised as an expense, including provision for housing provident fund | **4,375** | 4,671 |
| Depreciation of right-of-use assets | **223** | 141 |
| Depreciation of property, plant and equipment | **881** | 818 |
| Provision for housing provident fund (included in cost of sales and services) | **49** | 154 |
| Gross rental income from investment properties | **(4,203)** | (2,646) |
| Less: direct operating expenses incurred for investment properties that generated rental income during the year | **356** | 312 |
| | **(3,847)** | (2,334) |
| and after (crediting) charging to other gains and losses: | | |
| Gain on disposal of property, plant and equipment | **–** | (695) |
| Net gain on fair value changes of financial assets at FVTPL | **(15)** | (58) |
| Net foreign exchange loss | **405** | 211 |
| and after crediting to other income: | | |
| Government subsidies | **(19)** | (50) |
| Interest income | **(105)** | (17) |
| Dividends from financial assets at FVTPL | **(19)** | (16) |
| and after charging to other expense: | | |
| Redundancy costs | **77** | 170 |

## 5. TAX EXPENSE (CREDIT)

| | 2022 | 2021 |
|---|---|---|
| | *US$'000* | *US$'000* |
| Hong Kong Profits Tax | | |
| Current year | **11** | 12 |
| Overprovision in prior years | **(1)** | (3) |
| | **10** | 9 |
| Deferred taxation | **140** | (214) |
| | **150** | (205) |

Under the two-tiered profits tax rates regime, 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 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%. No provision has been made for both years.

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 years.

## 6. DIVIDENDS

| | 2022 | 2021 |
|---|---|---|
| | *US$'000* | *US$'000* |
| Dividends recognised as distribution to ordinary shareholders: | | |
| Interim dividend of HK$0.01 in respect of the year ended 31 December 2022 (2021: nil) per ordinary share | **943** | – |
| | **943** | – |

An interim dividend of HK$0.01 per ordinary share in respect of the year ended 31 December 2022 has been proposed and paid by the directors of the Company (2021: nil). No final dividend in respect of the year ended 31 December 2022 (2021: nil) has been proposed by the directors of the Company.

## 7. EARNINGS(LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the year attributable to owners of the Company of US$1,683,000 (2021: loss for the year attributable to owners of the Company of US$957,000) and on the number of ordinary shares of 730,650,000 (2021: 730,650,000) in issue during the year.

There are no potential ordinary shares outstanding for each of the two years ended 31 December 2022 and 2021.

## 8. TRADE AND OTHER RECEIVABLES

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade receivables | **1,741** | 1,195 |
| Prepayment and other deposit | **175** | 207 |
| Refundable rental deposit | **33** | 33 |
| Accrued rentals | **206** | 88 |
| Other receivables | **247** | 570 |
| Total trade and other receivables | **2,402** | 2,093 |
| Less: accrued rentals shown under non-current assets | **(206)** | (88) |
| | **2,196** | 2,005 |

As at 1 January 2021, trade receivables from contracts with customers amounted to US$591,000.

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:

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 0 – 30 days | **790** | 325 |
| 31 – 60 days | **602** | 861 |
| Over 60 days | **349** | 9 |
| Total trade receivables | **1,741** | 1,195 |

As at 31 December 2022, included in the Group's trade receivables balances are debtors with aggregate carrying amount of US$349,000 (2021: US$9,000) which are past due as at the reporting date. None of the past due balances has been past due for 90 days or more for both years.

The Group's rental income are based on effective accrued rentals after taking into account of rent free period and progressive rentals which are recorded as unbilled rental receivables. Rental receivables are invoiced to tenants on a monthly basis after the rent free period and are due for settlement upon the issuance of invoices.

Accrued rentals of the Group amount to US$206,000 (2021: US$88,000) represented the unbilled rental receivables. Accrued rentals will be collected in more than 1 year and the whole amount are classified under non-current assets.

## 9. TRADE AND OTHER PAYABLES

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade payables | **104** | 266 |
| Accrued payroll | **337** | 339 |
| Accrued expenses | **364** | 882 |
| Rental deposit received | **919** | 1,028 |
| Value-added tax and other tax payables | **374** | 290 |
| Others | **503** | 158 |
| | **2,601** | 2,963 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| 0 – 30 days | **10** | 59 |
| 31 – 60 days | **–** | 55 |
| Over 60 days | **94** | 152 |
| Total trade payables | **104** | 266 |

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$49,000 (2021: US$154,000) has been made in profit or loss during the year ended 31 December 2022. During the year ended 31 December 2022, claims amounting to US$933,000 (2021: US$1,947,000) has been settled by the Group. The directors of the Company believe that adequate provisions has been made in the Group's consolidated financial statements as at 31 December 2022 and 2021.

## FINAL DIVIDEND

The Directors does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## RESULTS REVIEW

### Audited Annual Results

I am pleased to present our audited annual results for the year ended 31 December 2022. The Group recorded a net profit after taxation of US$1,683,000 (2021: net loss after taxation of US$957,000), and increase of revenue from US$7,308,000 in 2021 to US$9,254,000 in this year. Gross margin changed from 31.8% in 2021 to 48.9% in this year.

### Geographical Market

North America remains the largest export market of the Group, accounting for 58.7% of the Group's sales of footwear products, contribution from the European and Asian market and other regions represented 12.1%, 6.6% and 22.6% respectively.

## BUSINESS REVIEW AND PROSPECTS

In 2022, the market was battered by a number of challenges, including the resurgent COVID-19 pandemic, a persisting war due to geopolitical conflicts, intensifying global inflation, and ongoing interest rate hikes, all of which resulted in significant impacts on the short- and medium-term economy. With various economic indicators declining, the economies continued to tighten their future spending, while the market was shrouded in an atmosphere of panic. As a result, consumers became increasingly conservative about their spending.

Against this volatile and uncertain backdrop, the Group faced immense pressure on production, logistics, supply chain, exchange rates, and other aspects for its footwear export. Although export sales were relatively stable last year, the overall economy is expected to slow down in 2023, with a lack of optimism about the order volume in the first half of the year. Leveraging on years of industry experiences and high-quality products, the Group will continue to secure good relationship with customers and their trust. Furthermore, the leasing business of our idle factory premises has brought stable cash flow, consolidating the Group's stable financial foundation, as new properties were successfully leased out during the year. In this regard, the management will continue to identify suitable potential tenants to diversify the Group's earnings.

## 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

Since the year ended 31 December 2020, in addition to the original business of manufacture and sales of footwear product, the Group commenced the business engaging in lease of properties in the PRC. For the year ended 31 December 2022, the Group recorded a revenue of US$9,254,000 (2021: US$7,308,000) representing 26.6% increase comparing to 2021.

Profit before taxation of the Group for the year ended 31 December 2022 was US$1,833,000 (2021: loss before taxation of US$1,162,000), an increase of US$2,995,000 as compared to the corresponding period in 2021. After accounting for income taxes expense of US$150,000 (2021: income tax credit of US$205,000), resulted a profit after taxation of US$1,683,000 (2021: loss after taxation of US$957,000). Basic earning per share for the year ended 31 December 2022 was 0.23 US cents (2021: basic loss per share 0.13 US cents). Gross margin changed to 48.9% 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 2022, the Group had cash and cash equivalent of US$8,588,000 (2021: US$8,780,000). As at 31 December 2022, 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 3.0 (2021: 2.3) times was derived by the total current assets of US$11,792,000 (2021: US$12,587,000) divided by the total current liabilities of US$3,901,000 (2021: US$5,435,000) as at 31 December 2022.

## CAPITAL EXPENDITURE

For the year ended 31 December 2022, the Group did not incur any capital expenditure 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 2022 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 opinion or assurance conclusion 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 2022 and the year ended 31 December 2021.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the financial year ended 31 December 2022, the Company complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

## 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 2022.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including reviewing the audited consolidated financial statements for the year ended 31 December 2022.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.pegasusinternationalholdings.com.

The 2022 annual report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 28 March 2023

List of all Directors of the Company as of the date of this announcement:

***Executive Directors:***
Wu Chen San, Thomas *(Chairman)*
Wu Jenn Chang, Michael *(Deputy Chairman)*
Wu Jenn Tzong, Jackson
Ho Chin Fa, Steven

***Independent Non-executive Directors:***
Lai Jenn Yang, Jeffrey
Liu Chung Kang, Helios
Huang Hung Ching
Wu Wen Yen