PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 676)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 with comparative figures for the corresponding period in 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**2016** **US$'000**	2015 US$'000
Revenue	*3*	**79,330**	74,675
Cost of sales		**(67,869)**	(65,500)
Gross profit		**11,461**	9,175
Other income		**1,119**	3,830
Selling and distribution costs		**(3,579)**	(3,194)
General and administrative expenses		**(8,446)**	(8,493)
Share of profit of an associate		**24**	14
Profit before tax	*4*	**579**	1,332
Tax expense	*5*	**(351)**	(13)
Profit for the year attributable to owners of the Company		**228**	1,319
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(6,929)**	(5,377)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation *increase (decrease)* on buildings		**3,057**	(456)
Deferred tax recognised on revaluation of buildings		**(764)**	114
		2,293	(342)
Other comprehensive expense for the year, net of tax		**(4,636)**	(5,719)
Total comprehensive expense for the year attributable to owners of the Company		**(4,408)**	(4,400)
Earnings per share	*7*		
Basic		**0.03 US cents**	0.18 US cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	2016 US$'000	2015 US$'000
Non-current assets			
Property, plant and equipment		**51,519**	51,556
Prepaid lease payments		**4,594**	5,135
Interest in an associate		**611**	587
		56,724	57,278
Current assets			
Inventories		**14,572**	21,130
Trade and other receivables	8	**8,751**	8,653
Prepaid lease payments		**164**	176
Held for trading investments		**1,277**	534
Bank balances and cash		**14,163**	13,462
Tax recoverable		**17**	–
		38,944	43,955
Current liabilities			
Trade and other payables	9	**8,055**	8,044
Tax payable		**574**	409
		8,629	8,453
Net current assets		**30,315**	35,502
		87,039	92,780
Capital and reserves			
Share capital		**9,428**	9,428
Share premium and reserves		**74,123**	80,416
Total equity		**83,551**	89,844
Non-current liabilities			
Deferred tax liabilities		**3,488**	2,936
		87,039	92,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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, as explained in the accounting policies set out in Note 3 to the annual report. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for 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 in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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 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					**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**

For the year ended 31 December 2015

	North America *US$'000*	Asia *US$'000*	Europe *US$'000*	Other regions *US$'000*	Total *US$'000*
REVENUE					
External sales of goods	46,722	15,266	7,379	5,308	74,675
RESULTS					
Segment results	6,695	958	739	465	8,857
Unallocated income					3,490
Interest income					340
Unallocated expenses					(11,369)
Share of profit of an associate					14
Profit before tax					1,332
Tax expense					(13)
Profit for the year					1,319

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. 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 *US$'000*	Asia *US$'000*	Europe *US$'000*	Other regions *US$'000*	Operating segment total *US$'000*	Re-conciliations *US$'000*	Total *US$'000*
Amounts included in the measure of segment profit or loss:							
For the year ended 31 December 2016							
Depreciation	**1,069**	**280**	**141**	**139**	**1,629**	**229**	**1,858**
For the year ended 31 December 2015							
Depreciation	1,495	489	236	170	2,390	651	3,041

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:

	2016	2015
	US$'000	*US$'000*
United States of America	**49,796**	45,193
People's Republic of China ("PRC")	**6,362**	4,006
Belgium	**4,529**	5,189
South Korea	**1,400**	1,720
Japan	**3,015**	1,197
Others	**14,228**	17,370
	79,330	74,675

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:

	2016	2015
	US$'000	*US$'000*
PRC	**56,697**	57,239
Hong Kong	**26**	38
Taiwan	**1**	1
	56,724	57,278

Information about major customers

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

	2016	2015
	US$'000	*US$'000*
Customer A	**67,113**	60,339

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

4. Profit before tax

	2016	2015
	US$'000	*US$'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**482**	474
Other staff costs	**32,471**	31,913
Retirement benefits scheme contributions (excluding contributions in respect of directors)	**4,518**	2,598
Total staff costs	**37,471**	34,985
Auditor's remuneration	**150**	162
Cost of inventories recognised as an expense	**67,869**	65,500
Depreciation of property, plant and equipment	**1,858**	3,041
Write-down of inventories	**611**	500
Loss on fair value changes of held for trading investments	**–**	140
Loss on disposal of property, plant and equipment	**113**	–
Release of prepaid lease payments	**176**	189
and after crediting to other income:		
Gain on disposal of property, plant and equipment	**–**	25
Gain on fair value changes of held for trading investments	**4**	–
Interest income	**69**	340
Net foreign exchange gain	**369**	3,210

5. Tax expense

	2016	2015
	US$'000	*US$'000*
Current tax:		
Hong Kong Profits Tax	**30**	38
PRC Enterprise Income Tax	**322**	305
	352	343
Overprovision in prior years:		
Hong Kong Profits Tax	**(1)**	(16)
PRC Enterprise Income Tax	**–**	(314)
	(1)	(330)
	351	13

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.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	US$'000	*US$'000*
Profit before tax	**579**	1,332
Tax at the domestic income tax rate of 25% (note)	**145**	333
Tax effect of share of loss of an associate	**(6)**	(4)
Tax effect of expenses not deductible for tax purposes	**944**	677
Tax effect of income not taxable for tax purposes	**(992)**	(851)
Over provision in respect of prior year	**(1)**	(330)
Tax effect of tax losses not recognised	**266**	199
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(5)**	(11)
Tax charge for the year	**351**	13

note: This represents the tax rate in the jurisdiction where the operations of the Group is substantially based.

6. Dividends

	2016	2015
	US$'000	*US$'000*
Dividends recognised as a distribution during the year:		
2015 special dividend: 20.0 HK cents per share (2016: nil)	**–**	18,850
2016 interim – 1.0 HK cents (2015: 4.0 HK cents) per share	**943**	3,770
2015 Final – 1.0 HK cents (2015: 2014 final dividend 3.0 HK cents) per share	**942**	2,828
	1,885	25,448

A final dividend of 1.0 HK cent per share in respect of the year ended 31 December 2016 (2015: 1.0 HK cent) 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$228,000 (2015: US$1,319,000) and on the weighted average number of ordinary shares of 730,650,000 (2015: 730,650,000) in issue during the year.

There are no potential ordinary shares outstanding for each of the two years ended 31 December 2016.

8. Trade and other receivables

	2016	2015
	US$'000	*US$'000*
Trade receivables	**7,583**	7,139
Other receivables	**1,168**	1,514
Total trade and other receivables	**8,751**	8,653

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:

	2016	2015
	US$'000	*US$'000*
0-30 days	**6,862**	6,335
31-60 days	**716**	656
Over 60 days	**5**	148
Total trade receivables	**7,583**	7,139

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% (2015: 98%) 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$5,000 (2015: US$148,000) 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

	2016	2015
	US$'000	*US$'000*
61-90 days	**–**	97
91-120 days	**–**	42
Over 121 days	**5**	9
Total	**5**	148

The Group has provided fully for all receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

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:

	2016	2015
	US$'000	*US$'000*
0-30 days	**2,569**	1,863
31-60 days	**239**	702
Over 60 days	**523**	498
Total trade payables	**3,331**	3,063
Other payables	**4,724**	4,981
	8,055	8,044

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 and other accrued expenses for both years.

FINAL DIVIDEND

The Directors proposed a final dividend of 1.0 HK cent per ordinary share for the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company on 5 June 2017. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 16 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, 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 Monday, 22 May 2017.

In addition, the register of members of the Company will be closed from Friday, 2 June 2017 to Monday, 5 June 2017, 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 Thursday, 1 June 2017.

RESULTS REVIEW

Results

I am pleased to present our annual results for the year ending 31 December 2016. The Group recorded a net profit after taxation of US$228,000 (2015: US$1,319,000), and increase of turnover from US$74,675,000 in 2015 to US$79,330,000 in this year. Gross profit margin increased from 12% in 2015 to 14% in this year.

Geographical Market

North America remains the largest export market of the Group, accounting for 65.6% of the Group's turnover. Turnover contribution from the Asian and European market and other regions represented 17.2%, 8.7% and 8.5% respectively.

BUSINESS REVIEW

There were more concrete signals of recovery in the world economy as compared with 2015, unemployment rates and GDP figures of European countries and the US both showed improvement, market sentiment and consumer desire improved, and growth was seen in product demand. As for the PRC, after the large fluctuation in Renminbi exchange rate in 2015, it became more stable during the year. However, the production costs, including wages and social welfare maintain at high level, which created great pressure to the Group's profitability.

SOCIAL RESPONSIBILITY

The Group has always fulfilled its social responsibility to the highest level, which are the essential elements for the success of Company. The social responsibility department of the Group is responsible for monitoring gas emissions from factories and waste disposal data, and implements relevant policies to reduce the impact on the environment and compliance of relevant laws. The Group also supports the local community and promotes harmony and inclusion, through donations to charitable activities and local charity institutions.

Besides, as an ongoing practice, the Group provides on-the-job training to staff at different levels so as to keep pace with time, and to enhance management's work efficiency and effectiveness.

FUTURE PROSPECTS

Looking into 2017, there are still many uncertainties in the world economy. At the beginning of the year, the change in the US presidency, which triggered a rise in local prioritism, and a louder voice of trade protectionism in Europe and the US are growing. In the middle of the year, more presidential elections will be held in different countries, export enterprises will certainly be affected by geopolitical changes. Together with the imminent rate hike cycle, all these will overshadow market sentiment.

Facing different kinds of challenges, the Group will adhere to its own advantages of high-quality products, stable financial position, and combining the long term relationship between old customers and suppliers, balancing the new customers development and exploring internet business in the PRC to create more value for the stakeholders of the Group.

APPRECIATION

I would like to give my most sincere recognitions to all the Board Members, executives and staff of the Group for their dedications and contributions. On behalf of the Group, I would also like to express our deepest gratitude to our business partners and shareholders for their trust and continual support.

FINANCIAL REVIEW

During the year ended 31 December 2016, the Group continued to concentrate on the manufacture and sales of footwear products. For the year ended 31 December 2016, the Group recorded a turnover of US$79,330,000 (2015: US$74,675,000) representing 6% increase comparing to 2015.

Profit before taxation of the Group for the year ended 31 December 2016 was US$579,000 (2015: US$1,332,000), a decrease of US$753,000 as compared to the corresponding period in 2015. After accounting for income taxes expense of US$351,000, resulted a profit after taxation of US$228,000 (2015: US$1,319,000). Basic earnings per share for the year ended 31 December 2016 was 0.03 US cents (2015: 0.18 US cents). Gross profit margin increased to 14% 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 2016, the Group had cash and cash equivalent of US$14,163,000 (2015: US$13,462,000). As at 31 December 2016, the Group's solid financial liquidity position was reflected by a healthy current ratio of 4.5 (2015: 5.2) times.

CAPITAL EXPENDITURE

For the year ended 31 December 2016, the Group incurred US$2,419,000 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 2016 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 2015 and the year ended 31 December 2016.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the financial year ended 31 December 2016, 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 2016.

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 2016.

By Order of the Board
Wu Chen San, Thomas
Chairman

Hong Kong, 23 March 2017

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).