
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Pegasus International Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 676)

GENERAL MANDATES TO REPURCHASE AND TO ISSUE SHARES AND RE-ELECTION OF DIRECTORS

A notice convening the annual general meeting of Pegasus International Holdings Limited (the “Company”) to be held at Imperial Room III, Towers Wing, Mezzanine Floor, The Royal Pacific Hotel & Towers, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 17th May, 2007 at 9:30 a.m. is set out on pages 3 to 4 of the annual report of the Company for the year ended 31st December, 2006 despatched together with this circular. Whether or not you propose to attend the said meeting, you are requested to complete the proxy form enclosed in the said annual report in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company at Room 1517, Tower 3, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.

25th April, 2007

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Annual General Meeting”	the annual general meeting of the Company to be held on Thursday, 17th May, 2007 at 9:30 a.m., notice of which is set out on pages 3 to 4 of the Annual Report despatched together with this circular
“Annual Report”	the annual report of the Company for the financial year ended 31st December, 2006
“Bye-laws”	the bye-laws of the Company (as amended from time to time)
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Pegasus International Holdings Limited, a company incorporated in Bermuda, the Shares of which are listed on the Stock Exchange
“Directors”	all directors (including independent non-executive directors) of the Company
“Latest Practicable Date”	20th April, 2007, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Repurchase Proposal”	the proposal to approve the Repurchase Resolution to give a general mandate to the Directors to exercise all the powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company at the date of the Repurchase Resolution
“Repurchase Resolution”	the ordinary resolution granting to the Directors a general mandate to exercise all the powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company at the date of the Repurchase Resolution to be proposed at the Annual General Meeting (resolution no. (5A) set out in the Annual General Meeting notice)
“SFO”	the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) in the share capital of the Company
“Share Buy Back Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange

DEFINITIONS

“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong Special Administrative Region of the People’s Republic of China



PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 676)

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:

Fang Yen Ling
Liu Chung Kang, Helios
Lai Jenn Yang, Jeffrey

*Head office and principal
place of business:*

Room 1517, Tower 3
China Hong Kong City
33 Canton Road
Tsimshatsui
Kowloon
Hong Kong

25th April, 2007

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

This circular provides you with information relating to the proposed general mandates to be obtained by the Shareholders for the issue and repurchase of Shares, the proposed amendments to the Bye-laws and the proposed re-election of Directors.

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 17th May, 2006, a general mandate was given by the Company to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse until the conclusion of the forthcoming annual general meeting of the Company (unless previously revoked or varied by ordinary resolution of the Shareholders). The Repurchase Resolution will be proposed at the Annual General Meeting and the Directors propose to seek your approval thereof. An explanatory statement as required under the Share Buy Back Rules to provide the requisite information on the Repurchase Proposal is set out in Appendix I to this circular.

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES

There will also be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of the resolution and adding to such general mandate any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate under the Repurchase Resolution.

RE-ELECTION OF DIRECTORS

In accordance with Bye-law 87(1), Messrs. Wu Chen San, Thomas, Wu Jenn Chang, Michael and Ho Chin Fa, Steven will retire as Director by rotation and, being eligible, will offer themselves for re-election as Director by the Shareholders at the Annual General Meeting.

Brief particulars of Messrs. Wu Chen San, Thomas, Wu Jenn Chang, Michael and Ho Chin Fa, Steven are set out in Appendix III to this circular.

ANNUAL GENERAL MEETING

On pages 3 to 4 of the Annual Report despatched together with this circular, you will find a notice convening the Annual General Meeting at which, inter alia,

- the Repurchase Resolution will be proposed to grant to the Directors a general mandate to exercise all the powers of the Company to repurchase on the Stock Exchange Shares representing up to a maximum of 10% of the issued share capital of the Company at the date of the Repurchase Resolution;
- an ordinary resolution will be proposed to grant to the Directors a general mandate to authorise the Directors to issue, allot and deal with Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of such resolution; and
- an ordinary resolution will be proposed to extend the general mandate which be granted to the Directors to issue, allot and deal with additional Shares by adding to it the number of Shares repurchased by the Company after the granting of the general mandate under the Repurchase Resolution.

LETTER FROM THE BOARD

ACTION TO BE TAKEN

A proxy form for use at the Annual General Meeting is enclosed in the Annual Report despatched together with this circular. Whether or not you propose to attend the Annual General Meeting, you are requested to complete the said proxy form and return it to the head office and principal place of business of the Company at Room 1517, Tower 3, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the proxy form will not prevent you from attending and voting at the Annual General Meeting if you so wish.

RECOMMENDATION

The Directors believe that the Repurchase Proposal and the general mandates to be granted to the Directors to issue new Shares and the proposed re-election of Directors are all in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions as set out in the notice of the Annual General Meeting.

By Order of the Board
Wu Chen San, Thomas
Chairman

This appendix serves as an explanatory statement, as required by the Share Buy Back Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution. For the purpose of the Share Buy Back Rules, “shares” is defined in the Listing Rules to mean shares of all classes and securities which carry a right to subscribe or purchase shares.

1. SHARE BUY BACK RULES

The Share Buy Back Rules permit companies with primary listing on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange subject to certain restrictions, of which repurchases must be made out of funds which are legally available for the purpose and in accordance with the company’s constitutive documents and the laws of Bermuda.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 730,700,000 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Resolution to repurchase a maximum of 73,070,000 Shares (being 10% of the issued share capital of the Company).

3. REASONS FOR REPURCHASES

The Directors believe that the Repurchase Proposal is in the best interests of the Company and its Shareholders. Repurchases may, depending on market conditions and funding arrangements at the time, lead to enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws, the Companies Act and the laws of Bermuda. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or funds that would otherwise be available for dividend or distribution, or the proceeds of a fresh issue of shares made for the purpose. The amount of premium payable on repurchase may only be paid out of either the funds that would otherwise be available for dividend or distribution or out of the share premium account of the Company.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the positions disclosed in the Company’s Annual Report for the year ended 31st December, 2006 in the event that the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the Company’s gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares had been traded on the Stock Exchange during each of the previous twelve months prior to the Latest Practicable Date, were as follows:

	Shares	
	Highest	Lowest
	\$	\$
2006		
April	1.06	1.04
May	1.06	0.90
June	1.06	0.99
July	1.10	1.07
August	1.07	0.95
September	1.05	1.04
October	1.09	1.04
November	1.08	1.07
December	1.10	0.90
2007		
January	1.10	0.90
February	1.10	1.05
March	1.43	1.10
April (up to the Latest Practicable Date)	1.30	1.27

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to buy or to sell any Shares from or to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the Shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to buy or to sell any Shares from or to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the Shareholders.

7. TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Resolution, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Pegasus Footgear Management Limited, holding approximately 64.15% of the issued share capital of the Company, is the only substantial Shareholder holding more than 10% of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares under the Repurchase Proposal, the shareholding of Pegasus Footgear Management Limited in the Company would be increased to approximately 71.28% of the issued share capital of the Company but such increase would not subject Pegasus Footgear Management Limited to make a mandatory offer under Rule 26 of the Takeovers Code.

8. SHARES REPURCHASE MADE BY THE COMPANY

There was no repurchase by the Company, or any its subsidiaries, of any Shares (whether on the Stock Exchange or otherwise) during the six months preceding the date of this circular.

Pursuant to Bye-law 66 of the Bye-Laws, a resolution put to the vote of any general meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person or in case of Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by a duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The particulars of the Directors eligible for re-election at the Annual General Meeting are set out below:

(1) WU CHEN SAN, THOMAS

Wu Chen San, Thomas, aged 56, is the Chairman of the Group and is responsible for the Group's sales, marketing and strategic planning. Mr. Thomas Wu joined the footwear business founded by his father, Mr. Wu Suei, in the early 1970's and has over 37 years' experience in the footwear manufacturing business. Mr. Thomas Wu did not hold any directorship in any listed published companies (other than the Company) in the last three years.

As at the Latest Practicable Date, Mr. Thomas Wu was interest in 3,235 shares of Pegasus Footgear Management Limited, which is the substantial shareholder of the Company. Apart from being a Director, Mr. Thomas Wu is the brother of another two directors of the Company.

Mr. Thomas Wu entered into a service contract with the Company for a term of three years commencing 25th September, 1996 and continuing thereafter until terminated by either party giving to the other party a period of six months in advance notice in writing. He is currently entitled to an annual director's remuneration of approximately HK\$1,972,000, which is determined with reference to this performance and contribution to the Group.

(2) WU JENN CHANG, MICHAEL

Wu Jenn Chang, Michael, aged 49, is the Deputy Chairman of the Group and is responsible for the Group's finance, production and purchasing. Mr. Michael Wu is the honor Chairman of the Taiwanese-invested Enterprises Association of Guangzhou and honor citizen of Guangzhou City. Mr. Michael Wu joined the footwear business founded by his father, Mr. Wu Suei, in 1983 and has over 24 years' experience in the footwear manufacturing business. Mr. Michael Wu did not hold any directorship in any listed published companies (other than the Company) in the last three years.

As at the Latest Practicable Date, Mr. Michael Wu was interest in 8,000,000 Shares, which represented about 1.09% of the total issued share capital of the Company pursuant to Part XV of the SFO. In addition, Michael Mr. Wu also interested in 6,470 shares of Pegasus Footgear Management Limited, which is the substantial shareholder of the Company. Apart from being a Director, Mr. Michael Wu is the brother of another two directors of the Company.

Mr. Michael Wu entered into a service contract with the Company for a term of three years commencing 25th September, 1996 and continuing thereafter until terminated by either party giving to the other party a period of six months in advance notice in writing. He is currently entitled to an annual director's remuneration of approximately HK\$1,609,000, which is determined with reference to this performance and contribution to the Group.

(3) MR. HO CHIN FA, STEVEN

Mr. Ho Chin Fa, Steven, aged 54, is a Deputy General Manager of the Group. He is responsible for production management and staff training. Mr. Ho joined the Group in 1990 and has 24 years' experience in the footwear manufacturing business. Mr. Ho did not hold any directorship in any listed published companies (other than the Company) in the last three years.

As at the Latest Practicable Date, Mr. Ho did not have any interest in the Shares or underlying shares in the Company within the meaning of Part XV of the SFO. Mr. Ho is not related to any other Directors, senior management or the Company, substantial shareholders or controlling shareholder.

Mr. Ho entered into a service contract with the Company for a term of three years commencing 25th September, 1996 and continuing thereafter until terminated by either party giving to the other party a period of six months in advance notice in writing. He is currently entitled to an annual director's remuneration of approximately HK\$1,122,000, which is determined with reference to this performance and contribution to the Group.

GENERAL

Save as disclosed above, no information that is required to be disclosed pursuant to paragraphs (h) to (v) of Rules 13.51(2) of the Listing Rules and the Directors consider that there are no other matters which need to be brought to the attention of the Shareholders.