PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 676)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2009

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 31st December, 2009 with comparative figures for the corresponding period in 2008.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2009

	NOTES	**2009** *US$'000*	2008 *US$'000*
Revenue	*3*	**106,539**	148,114
Cost of sales		**(89,379)**	(124,155)
Gross profit		**17,160**	23,959
Other income		**156**	1,135
Selling and distribution costs		**(7,295)**	(9,974)
Administrative expenses		**(8,366)**	(11,688)
Share of profit (loss) of an associate		**62**	(158)
Share of loss of a jointly controlled entity		**(154)**	(458)
Interest on bank borrowings wholly repayable within five years		**(197)**	(862)
Profit before taxation	*4*	**1,366**	1,954
Taxation	*5*	**(264)**	(388)
Profit for the year		**1,102**	1,566
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		**(175)**	7,502
Share of translation reserve of a jointly controlled entity		**–**	53
Revaluation decrease on buildings		**(2,468)**	(728)
Deferred tax arising on revaluation of buildings		**617**	182
Other comprehensive (expense) income for the year, net of tax		**(2,026)**	7,009
Total comprehensive (expense) income for the year		**(924)**	8,575
Earnings per share	*7*		
Basic and diluted		**0.15 US cents**	0.21 US cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2009

	NOTES	2009 US$'000	2008 US$'000
Non-current assets			
Property, plant and equipment		**58,302**	65,436
Prepaid lease payments		**6,061**	6,226
Interests in an associate		**668**	606
Interests in a jointly controlled entity		**1,788**	1,942
		66,819	74,210
Current assets			
Prepaid lease payments		**165**	165
Inventories		**40,044**	53,858
Trade and other receivables	8	**8,110**	11,123
Amount due from an associate		**–**	2
Bank balances and cash		**22,883**	12,856
		71,202	78,004
Current liabilities			
Trade and other payables	9	**8,059**	14,280
Unsecured bank borrowings – due within one year		**4,182**	8,095
Derivative financial instruments		**–**	159
Tax payable		**1,142**	1,011
		13,383	23,545
Net current assets		**57,819**	54,459
		124,638	128,669
Capital and reserves			
Share capital		**9,428**	9,428
Share premium and reserves		**108,974**	109,898
Total equity		**118,402**	119,326
Non-current liabilities			
Unsecured bank borrowings – due after one year		**4,375**	6,865
Deferred tax liabilities		**1,861**	2,478
		6,236	9,343
		124,638	128,669

Notes:

1. **Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out in Note 3 to the annual report.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards 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 and by the Hong Kong Companies Ordinance.

2. **Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")**

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 3).

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July, 2009.
2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January, 2010.
4 Effective for annual periods beginning on or after 1st February, 2010.
5 Effective for annual periods beginning on or after 1st July, 2010.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of *HKAS 39 Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors anticipate that the application of the other new and revised Standards, Amendments or Interpretations upon their respective effective date will have no material impact on the Group's consolidated financial statements.

3. Segment information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14 nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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 the destination of the goods shipped or delivered, irrespective of the origin of the goods. However, the chief operating decision maker does not regularly review the segment assets and segment liabilities.

The Group's operating segments under HKFRS 8 are North America, Europe, Asia and other regions.

Segment revenues and results

The following is an analysis of the Group's revenue and results by geographical market based on the destination of the goods shipped or delivered, irrespective of the origin of the goods:

For the year ended 31st December, 2009

	North America *US$'000*	Asia *US$'000*	Europe *US$'000*	Others *US$'000*	Total *US$'000*
REVENUE					
External sales of goods	**51,895**	**33,792**	**17,234**	**3,618**	**106,539**
RESULTS					
Segment results	**6,650**	**4,542**	**1,799**	**561**	**13,552**
Unallocated income					**30**
Interest income					**126**
Unallocated expenses					**(12,053)**
Share of profit of an associate					**62**
Share of loss of a jointly controlled entity					**(154)**
Interest on bank borrowings wholly repayable within five years					**(197)**
Profit before taxation					**1,366**
Taxation					**(264)**
Profit for the year					**1,102**

For the year ended 31st December, 2008

	North America *US$'000*	Asia *US$'000*	Europe *US$'000*	Others *US$'000*	Total *US$'000*
REVENUE					
External sales of goods	78,075	32,064	33,533	4,442	148,114
RESULTS					
Segment results	10,554	3,064	4,532	601	18,751
Unallocated income					923
Interest income					212
Unallocated expenses					(16,454)
Share of loss of an associate					(158)
Share of loss of a jointly controlled entity					(458)
Interest on bank borrowings wholly repayable within five years					(862)
Profit before taxation					1,954
Taxation					(388)
Profit for the year					1,566

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the annual report. Segment profit represents the profit earned by each segment without allocation of corporate income and expenses, interest income, central administration costs, directors' emoluments, share of profit (loss) of an associate/a jointly controlled entity and interest on bank borrowings. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

Other segment information

	North America	Asia	Europe	Others	Operating segment total	Reconciliations	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Amounts included in the measure of segment profit or loss:							
For the year ended 31st December, 2009							
Depreciation	**2,158**	**1,425**	**719**	**155**	**4,457**	**1,116**	**5,573**
For the year ended 31st December, 2008							
Depreciation	2,676	1,131	1,149	152	5,108	1,123	6,231
Impairment loss on trade receivables	34	–	–	–	34	–	34

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:

	2009	2008
	US$'000	*US$'000*
United States of America	**49,949**	76,845
PRC	**17,775**	11,850
Belgium	**11,682**	22,660
Japan	**7,420**	12,869
South Korea	**2,313**	2,030
Others	**17,400**	21,860
	106,539	148,114

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

	2009 US$'000	2008 US$'000
PRC	**66,790**	74,181
Hong Kong	**17**	10
Taiwan	**12**	19
	66,819	74,210

Information about major customers

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

	2009 US$'000	2008 US$'000
Customer A	**78,740**	125,356

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

4. Profit before taxation

	2009 US$'000	2008 US$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	**497**	831
Other staff costs	**27,609**	40,779
Retirement benefits scheme contributions (excluding contributions in respect of directors)	**1,737**	2,647
Total staff costs	**29,843**	44,257
Auditor's remuneration	**149**	163
Cost of inventories recognised as an expense	**89,379**	124,155
Depreciation of property, plant and equipment	**5,573**	6,231
Impairment loss on trade receivables	**–**	34
Loss on disposal of property, plant and equipment	**43**	–
Loss on fair value changes of derivative financial instruments (included in administrative expenses)	**–**	342
Net foreign exchange losses	**13**	442
Release of prepaid lease payments (included in administrative expenses)	**165**	165
and after crediting to other income:		
Gain on fair value changes of held for trading investments	**–**	37
Interest income	**126**	212

5. Taxation

	2009	2008
	US$'000	*US$'000*
Current taxation:		
PRC	**263**	388
Taiwan	**1**	2
	264	390
Overprovision in prior years:		
Hong Kong	**–**	(2)
Taxation	**264**	388

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, 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 1st 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 per the consolidated statement of comprehensive income as follows:

	2009	2008
	US$'000	*US$'000*
Profit before taxation	**1,366**	1,954
Tax at the domestic income tax rate of 25%	**342**	489
Tax effect of share of profit (loss) of an associate/ a jointly controlled entity	**23**	154
Tax effect of expenses not deductible for tax purposes	**614**	687
Tax effect of income not taxable for tax purposes	**(838)**	(1,087)
Overprovision in prior years	**–**	(2)
Tax effect of tax losses/deductible temporary differences not recognised	**123**	307
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(160)
Tax charge for the year	**264**	388

Note: The domestic tax rate (which is the PRC EIT rate) in the jurisdiction where the operations of the Group is substantially based is used.

6. Dividends

	2009	2008
	US$'000	*US$'000*
Dividends recognised as distribution during the year:		
2007 final, paid – 1 HK cent per share	**–**	935
2008 interim, paid – 0.5 HK cent per share	**–**	468
	–	1,403

A final dividend of 1 HK cent per share in respect of the year ended 31st December, 2009 (2008: nil) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

7. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of US$1,102,000 (2008: US$1,566,000) and on 730,700,000 (2008: 730,700,000) ordinary shares in issue during the year.

There are no potential dilutive ordinary shares outstanding for each of the two years ended 31st December, 2009.

8. Trade and other receivables

	2009	2008
	US$'000	*US$'000*
Trade receivables	**5,405**	9,362
Other receivables	**2,705**	1,761
Total trade and other receivables	**8,110**	11,123

The Group allows its trade customers an average credit period of 60 days. The following is an aged analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period:

	2009	2008
	US$'000	*US$'000*
0-30 days	**4,875**	8,070
31-60 days	**240**	1,166
Over 60 days	**290**	126
Total trade receivables	**5,405**	9,362

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Limits attributed to customers are reviewed periodically. 95% (2008: 99%) 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$290,000 (2008: US$126,000) which were past due at the end of the reporting period but for which the Group has not provided for an impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2009	2008
	US$'000	*US$'000*
61-90 days	**47**	114
91-120 days	**9**	11
Over 121 days	**234**	1
Total	**290**	126

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 aged analysis of the Group's trade payables presented based on invoice date at the end of the reporting period:

	2009	2008
	US$'000	*US$'000*
0-30 days	**2,257**	3,829
31-60 days	**167**	661
Over 60 days	**450**	557
Total trade payables	**2,874**	5,047
Other payables	**5,185**	9,233
	8,059	14,280

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 within the credit timeframe.

FINAL DIVIDEND

The Directors proposed a final dividend of 1 HK cent per ordinary share for the year ended 31st December, 2009 to shareholders whose names appear on the register of members of the Company on 31st May, 2010. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 7th June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday 26th May, 2010 to Monday, 31st May, 2010, 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later that 4:30 p.m. on Tuesday 25th May, 2010.

RESULTS REVIEW

Results

The Group recorded a net profit after taxation of US$1,102,000 (2008: US$1,566,000), despite a drop of turnover from US$148,114,000 in 2008 to US$106,539,000 in this year. Gross profit margin remained at 16%, approximately the same as that in 2008. This is attributable to the Group's swift adjustment of its structure at the beginning of 2009 when the world was under the financial crisis as well as the significant reduction in costs to maintain the Group's competitiveness.

Geographical Market

North America remains the largest export market of the Group, accounting for 48.7% of the Group's turnover.

Turnover contribution from the Asian and European market and other regions represented 31.7%, 16.2% and 3.4% respectively.

BUSINESS REVIEW

Market participants in the manufacturing industry all over the world experienced a tough journey in 2009. Since the 4th quarter in 2008, the outbreak of global financial crisis adversely affected the American and European economy, and weakened the China export trade market. The contraction of export volume slowed down in second half 2009, but a decrease still resulted when comparing to the same period in last year.

China is now reforming various rules and regulations, aiming at better social welfare and sustainable economic expansion, triggered an increasing production cost related to employees' benefits, environment protection and product safety. However, we viewed it is an opportunity as these changes reinforced our core values of top product quality, customers satisfactory and social caring.

In this rapid changing environment, the Group is ready for new initiatives and ideas that can enhance our productivity and efficiency. Nevertheless, prudence financial management to maintain the Group's liquidity position and avoid risky or speculative investment is always our mission.

Domestic Sales market

Under the shadow of recession in European and American countries, on the contrary, China exhibits its strong economic vitality by maintaining a mild and stable growth in the year. Based on our concrete sales and products foundation, the Group continued to devote huge effort and resources in this attractive and energetic market. Currently, the Group has established region sale offices in leading cities such Beijing, Shanghai, Chengdu, Guangzhou and Shenyang, paving good platforms for the Group in further expanding in China.

Year of 2009 marked an another step in the Group's development in China. The sale amounts of kid's and adult's footwear brands such as Disney, Nike, Adidas, Magic House and Slazenger recorded a good performance during 2009. Production and sales of footwear and apparel under self-developed brand names "Magic House", "Y-Zone" and "Heavy Rider" were launched during the year, followed with a series of image building activities and advertising campaigns. Diversifying our channels to reach customers will be our objectives in coming years.

SOCIAL RESPONSIBILITY

Contribution to the community is one of the largest momentums to endeavour the Group's success. During the year, the Group established various measures aiming at promoting work safety, improving living standards and minimizing waste and pollution. We always maintain a high standard of corporate governance, with a sound management hierarchy, difference voices and opinions will be considered and consolidated to our policies, we believe this can provide the Group a good foundation to evolve with the times.

Moreover, the Group will never stop learning and improving our skills and technologies, we continue to invest resources in our in-house training centre and engaging external service providers for training programs.

FUTURE PROSPECTS

Even though it is uncertain about the global economy in the coming year, we remain cautiously optimistic towards the future. We believe the European and American markets will recover eventually after the end of financial crisis, the China operating environment of footwear exporting will improve gradually and therefore continues to fuel our exploration and diversification in the China domestic market.

With our strong financial position, the Group will seize the opportunity for further development and share the success with our employees, shareholders and the whole society.

FINANCIAL REVIEW

During the year ended 31st December, 2009, the Group continued to concentrate on the manufacture and sales of footwear products. For the year ended 31st December, 2009, the Group achieved a turnover of US$106,539,000 (2008: US$148,114,000) representing 28.1% drop comparing to 2008.

Profit of the Group for the year ended 31st December, 2009 dropped by 29.6% to US$1,102,000 (2008: US$1,566,000). Basic earnings per share for the year ended 31st December, 2009 was 0.15 US cents (2008: 0.21 US cents). Gross profit margin stable at 16% for both year. In addition, the Group continued to exercise tight cost control and implemented policies to improve efficiency.

In previous years, the Group's plant and machinery were depreciated at 10% – 20% per annum. With effect from 1st July, 2009, plant and machinery are to be depreciated at 5% – 20% per annum. In the opinion of the directors of the Company, the revised depreciation rates reflect a better estimate of the useful life of the assets. This change in depreciation rate, which has been applied prospectively from 1st July, 2009 onwards, has decreased the depreciation charge for the year by US$885,000.

The Group will continue to observe this conservative approach, to stay in low gearing ratio, in formulating resources allocation. The Group had successfully reduced its bank borrowings by US$6,403,000 in 2009 as compared to 2008. This, together with the decrease in bank borrowing interest rates during the year, helped to reduce the interest expenses by US$665,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its business needs with internal cash flows. Under the global finance crisis, 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 31st December, 2009, the Group had cash and cash equivalent of US$22,883,000 (2008: US$12,856,000) and total borrowings of US$8,557,000 (2008: US$14,960,000), and reached the net bank balances and cash of US$14,326,000 (net bank borrowing of US$2,104,000 in 2008). As at 31 December, 2009 the Group's solid financial liquidity position was reflected by a healthy current ratio of 5.3 (2008: 3.3) times.

CAPITAL EXPENDITURE

For the year ended 31st December, 2009, the Group incurred US$950,000 in capital expenditure, of which approximately 69% 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 comprehensive income and the related notes thereto for the year ended 31st December, 2009 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

During the year ended 31st December, 2009, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the financial year ended 31st December, 2009, the Company complied with all requirements set out in the Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 31st December, 2009.

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 31st December, 2009.

By Order of the Board
Wu Chen San, Thomas
Chairman

Hong Kong, 20th April, 2010

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).