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PEGASUS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 676)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2010

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, 2010 with comparative figures for the corresponding period in 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2010

	NOTES	**2010** **US$'000**	2009 US$'000
Revenue	3	**72,363**	106,539
Cost of sales		**(59,531)**	(89,379)
Gross profit		**12,832**	17,160
Other income		**368**	156
Selling and distribution costs		**(7,261)**	(7,295)
Administrative expenses		**(8,159)**	(8,366)
Share of profit of an associate		**30**	62
Share of profit (loss) of a jointly controlled entity		**15**	(154)
Interest on bank borrowings wholly repayable within five years		**(156)**	(197)
(Loss) profit before taxation	4	**(2,331)**	1,366
Taxation	5	**(168)**	(264)
(Loss) profit for the year		**(2,499)**	1,102
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**2,554**	(175)
Revaluation increase (decrease) on buildings		**6,156**	(2,468)
Deferred tax arising on revaluation of buildings		**(1,539)**	617
Share of translation reserve of a jointly controlled entity		**27**	–
Other comprehensive income (expense) for the year, net of tax		**7,198**	(2,026)
Total comprehensive income (expense) for the year		**4,699**	(924)
(Loss) earnings per share	7		
Basic		**(0.34) US cents**	0.15 US cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2010

	NOTES	2010 US$'000	2009 US$'000
Non-current assets			
Property, plant and equipment		**63,009**	58,302
Prepaid lease payments		**6,034**	6,061
Interests in an associate		**698**	668
Interests in a jointly controlled entity		**1,830**	1,788
		71,571	66,819
Current assets			
Inventories		**47,020**	40,044
Trade and other receivables	8	**9,952**	8,110
Prepaid lease payments		**169**	165
Held for trading investments		**431**	-
Derivative financial instruments		**53**	-
Bank balances and cash		**13,701**	22,883
		71,326	71,202
Current liabilities			
Trade and other payables	9	**8,760**	8,059
Unsecured bank borrowings-due within one year		**5,511**	4,182
Tax payable		**1,150**	1,142
		15,421	13,383
Net current assets		**55,905**	57,819
		127,476	124,638
Capital and reserves			
Share capital		**9,428**	9,428
Share premium and reserves		**112,730**	108,974
Total equity		**122,158**	118,402
Non-current liabilities			
Unsecured bank borrowings-due after one year		**1,875**	4,375
Deferred tax liabilities		**3,443**	1,861
		5,318	6,236
		127,476	124,638

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments 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 the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. No leasehold land qualified for a finance lease classification. The application of the amendments to HKAS 17 has had no effect on the consolidated financial statements of the Group for the current or prior years.

Hong Kong Interpretation 5 Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 31st December, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of US$1,875,000 (2009: nil) have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years nor the financial position as at 31st December, 2009 and 1st January, 2009. Accordingly, the consolidated statement of financial position of the Group as at 1st January, 2009 is not presented.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6 to the annual report for details).

New and revised Standards, Amendments and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July, 2010.
3 Effective for annual periods beginning on or after 1st July, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.
5 Effective for annual periods beginning on or after 1st January, 2012.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st February, 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 presentation 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's 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 at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st December, 2013 and that the application of the new Standard is not expected to have a significant impact on the classification and measurement in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31st December, 2010.

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

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, Europe, Asia and other regions. However, the chief operating decision maker does not regularly review the assets and liabilities by operating segments.

Segment revenues and results
For the year ended 31st December, 2010

	North America	Asia	Europe	Other Regions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE					
External sales of goods	**38,819**	**22,010**	**8,122**	**3,412**	**72,363**
RESULTS					
Segment results	**4,984**	**1,584**	**862**	**499**	**7,929**
Unallocated income					**208**
Interest income					**160**
Unallocated expenses					**(10,517)**
Share of profit of an associate					**30**
Share of profit of a jointly controlled entity					**15**
Interest on bank borrowings wholly repayable within five years					**(156)**
Loss before taxation					**(2,331)**
Taxation					**(168)**
Loss for the year					**(2,499)**

For the year ended 31st December, 2009

	North America *US$'000*	Asia *US$'000*	Europe *US$'000*	Other Regions *US$'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

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 US$'000	Asia US$'000	Europe US$'000	Other Regions US$'000	Operating segment total US$'000	Recon-ciliations US$'000	Total US$'000
Amounts included in the measure of segment profit or loss:							
For the year ended 31st December, 2010							
Depreciation	**1,198**	**679**	**251**	**105**	**2,233**	**767**	**3,000**
For the year ended 31st December, 2009							
Depreciation	2,158	1,425	719	155	4,457	1,116	5,573

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:

	2010 *US$'000*	2009 *US$'000*
United States of America	**38,312**	49,949
People's Republic of China ("PRC")	**11,276**	17,775
Belgium	**6,125**	11,682
Japan	**3,739**	7,420
South Korea	**1,790**	2,313
Others	**11,121**	17,400
	72,363	106,539

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

	2010 *US$'000*	2009 *US$'000*
PRC	**71,554**	66,790
Hong Kong	**9**	17
Taiwan	**8**	12
	71,571	66,819

Information about major customers

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

	2010 *US$'000*	2009 *US$'000*
Customer A	**40,233**	78,740
Customer B	**8,642**	N/A[1]
Customer C	**7,339**	N/A[1]

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

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

4. (Loss) profit before taxation

	2010 *US$'000*	2009 *US$'000*
(Loss) profit before taxation has been arrived at after charging:		
Directors' emoluments	**497**	497
Other staff costs	**23,828**	27,609
Retirement benefits scheme contributions (excluding contributions in respect of directors)	**1,396**	1,737
Total staff costs	**25,721**	29,843
Auditor's remuneration	**133**	149
Cost of inventories recognised as an expense	**59,531**	89,379
Depreciation for property, plant and equipment	**3,000**	5,573
Loss on disposal of property, plant and equipment	**–**	43
Loss on fair value changes of held for trading investments (included in administrative expenses)	**2**	–
Net foreign exchange losses	**409**	13
Release of prepaid lease payments (included in administrative expenses)	**169**	165
and after crediting to other income:		
Gain on disposal of property, plant and equipment	**5**	–
Gain on fair value changes of derivative financial instruments	**53**	–
Interest income	**160**	126

5. Taxation

	2010	2009
	US$'000	*US$'000*
Current tax:		
PRC	**167**	263
Taiwan	**1**	1
	168	264

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax is made in the consolidated financial statements as there is no 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 (loss) profit per the consolidated statement of comprehensive income as follows:

	2010	2009
	US$'000	*US$'000*
(Loss) profit before taxation	**(2,331)**	1,366
Tax at the domestic income tax rate of 25%	**(583)**	342
Tax effect of share of profit of an associate/ a jointly controlled entity	**(11)**	23
Tax effect of expenses not deductible for tax purposes	**619**	614
Tax effect of income not taxable for tax purposes	**(365)**	(838)
Tax effect of tax losses/deductible temporary differences not recognised	**508**	123
Tax charge for the year	**168**	264

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

	2010	2009
	US$'000	*US$'000*
Dividends recognised as a distribution during the year:		
2009 final dividend paid at 1 HK cent per share	**943**	–

A final dividend of 0.5 HK cent per share in respect of the year ended 31st December, 2010 (2009: 1 HK cent) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

On 7th June, 2010, a dividend of 1 HK cent per share was paid to shareholders as the final dividend for the year ended 31st December, 2009.

7. (Loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the loss attributable to owners of the Company of US$2,499,000 (2009: profit of US$1,102,000) and on 730,700,000 (2009: 730,700,000) ordinary shares in issue during the year.

There are no potential ordinary shares outstanding for each of the two years ended 31st December, 2010.

8. Trade and other receivables

	2010	2009
	US$'000	*US$'000*
Trade receivables	**6,787**	5,405
Other receivables and prepayment	**3,165**	2,705
Total trade and other receivables	**9,952**	8,110

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:

	2010	2009
	US$'000	*US$'000*
0-30 days	**6,011**	4,875
31-60 days	**626**	240
Over 60 days	**150**	290
Total trade receivables	**6,787**	5,405

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. 98% (2009: 95%) 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$150,000 (2009: US$290,000) which are past due at the reporting date 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

	2010	2009
	US$'000	*US$'000*
61-90 days	**62**	47
91-120 days	**79**	9
Over 121 days	**9**	234
Total	**150**	290

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 accounts payable presented based on invoice date at the end of the reporting period:

	2010	2009
	US$'000	*US$'000*
0-30 days	**2,520**	2,257
31-60 days	**202**	167
Over 60 days	**201**	450
Total trade payables	**2,923**	2,874
Other payables	**5,837**	5,185
	8,760	8,059

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.

FINAL DIVIDEND

The Directors proposed a final dividend of 0.5 HK cent per ordinary share for the year ended 31st December, 2010 to shareholders whose names appear on the register of members of the Company on 27th May, 2011. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 10th June, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24th May, 2011 to Friday, 27th May 2011, 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 Monday, 23rd May, 2011.

RESULTS REVIEW

Results

The Group recorded a net loss after taxation of US$2,499,000 (2009: profit of US$1,102,000), and a drop of turnover from US$106,539,000 in 2009 to US$72,363,000 in this year. Gross profit margin improved from 16.1% in 2009 to 17.7% in the year. This is attributable to the Group's swift adjustment of its structure at the beginning of 2010 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 53.6% of the Group's turnover. Turnover contribution from the Asian and European market and other regions represented 30.4%, 11.3% and 4.7% respectively.

BUSINESS REVIEW

2010 was another difficult year for manufacturing industry. The atmosphere of the American and European economy recovered during the year, but customers still not yet regained their spending confidence and power, as a result weakening the China export trade volume. We were devoted in bringing in new values by widening our customer base and investing new markets, we are waiting patiently for the customers in America and Europe to restore their consuming power.

After years of rapid development, China market is now recognized more and more competitive and challenging. Although being stable in 2009, Renminbi once again appreciated throughout the year of 2010, exerting a great pressure to the direct production costs and other operation costs. In addition, the vigorous inflation in 2010 drove up the general price level, together with increasing minimum wages in China, all these factors outweighted the increase in gross profit margin, resulting a loss in the year.

The Group foresees the hard time will not be long, we are able to overcome the challenge and emerge to a better environment. The Group always follows a prudent financial philosophy, having sufficient working capital and not participating risky or speculative investments.

Domestic Sales market

As mentioned above, the performance in China evitable deteriorated as comparing to last year. The management still considers the China market is attractive and optimistic on the long-term growth potential, which can bring valuable returns back to the Group.

During the year, the Group refined the overall strategy of in the domestic market. Regional sales counters with continual drop of revenue were closed down, instead more new counters were set up in locations with consistent good sale records such as Guangzhou. We believe that pinpointing our energy and resources can minimize the impact from the adverse market situations.

Our focus on the sale of kid's footwear and apparels remains unchanged. New projects such as sales of Oshkosh B'Gosh branded products will be launched in 2011, while marketing of existing products such as Magic House and Slazenger will be reinforced.

SOCIAL RESPONSIBILITY

It is our perpetual commitment to contribute to the society and perform corporal responsibility, donations to areas with hard luck and investments to local community never stop. We emphasis the culture of a team, both management and staff work together in a transparent system, share cheers and harmony. Promoting vocational health is our top priority, we create safe workplaces, comfortable living areas and environmental friendly. We believe only corporate treasure the talented staff will grow stronger.

Reinforcing the honorable corporate governance framework, and a well-established management framework, help us to gain remarkable achievements in the past, and also the future.

FUTURE PROSPECTS

The Group is in a strong financial position, having a solid assets foundation, generating steady cashflow and lowering external borrowings. As the economy turns around, we are confident that integrating all our talents can drive us out of the shadows ahead.

We will continue to take a proactive role in exploring new opportunity, based on our financial strength, to bring greatest return to all our stakeholders.

FINANCIAL REVIEW

During the year ended 31st December, 2010, the Group continued to concentrate on the manufacture and sales of footwear products. For the year ended 31st December, 2010, the Group recorded a turnover of US$72,363,000 (2009: US$106,539,000) representing 32.1% drop comparing to 2009.

Results of the Group for the year ended 31st December, 2010 dropped to loss of US$2,499,000 (2009: profit of US$1,102,000). Basic loss per share for the year ended 31st December, 2010 was 0.34 US cents (basic earnings per share for 2009: 0.15 US cents). Gross profit margin increased to 17.7% in the 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. The Group had successfully reduced its bank borrowings by US$1,171,000 in 2010 as compared to 2009. This, together with the decrease in bank borrowing interest rates during the year, helped to reduce the interest expenses by US$41,000.

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, 2010, the Group had cash and cash equivalent of US$13,701,000 (2009: US$22,883,000) and total borrowings of US$7,386,000 (2009: US$8,557,000), and reached the net bank balances and cash of US$6,315,000 (US$14,326,000 in 2009). As at 31 December, 2010 the Group's solid financial liquidity position was reflected by a healthy current ratio of 4.6 (2009: 5.3) times.

CAPITAL EXPENDITURE

For the year ended 31st December, 2010, the Group incurred US$451,000 in capital expenditure, of which approximately 36% 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, 2010 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, 2010, 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, 2010, 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, 2010.

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, 2010.

By Order of the Board
Wu Chen San, Thomas
Chairman

Hong Kong, 28th March, 2011

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).