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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 31 DECEMBER 2011

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 2011 with comparative figures for the corresponding period in 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	**2011** **US$'000**	2010 US$'000
Revenue	3	**101,987**	72,363
Cost of sales		**(84,950)**	(59,531)
Gross profit		**17,037**	12,832
Other income		**601**	368
Selling and distribution costs		**(7,737)**	(7,261)
General and administrative expenses		**(10,212)**	(8,159)
Share of (loss) profit of an associate		**(5)**	30
Share of (loss) profit of a jointly controlled entity		**(886)**	15
Interest on bank borrowings wholly repayable within five years		**(112)**	(156)
Loss before taxation	4	**(1,314)**	(2,331)
Taxation	5	**(2,822)**	(168)
Loss for the year attributable to owners of the Company		**(4,136)**	(2,499)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**6,504**	2,554
Revaluation (decrease) increase on buildings		**(626)**	6,156
Deferred tax arising on revaluation of buildings		**156**	(1,539)
Share of translation reserve of a jointly controlled entity		**–**	27
Other comprehensive income for the year, net of tax		**6,034**	7,198
Total comprehensive income for the year attributable to owners of the Company		**1,898**	4,699
Loss per share	7		
Basic		**(0.57) US cents**	(0.34) US cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	**2011** **US$'000**	2010 US$'000
Non-current assets			
Property, plant and equipment		**63,028**	63,009
Prepaid lease payments		**6,031**	6,034
Interests in an associate		**613**	698
Interests in a jointly controlled entity		**–**	1,830
		69,672	71,571
Current assets			
Inventories		**48,147**	47,020
Trade and other receivables	*8*	**14,889**	9,952
Prepaid lease payments		**178**	169
Held for trading investments		**426**	431
Derivative financial instruments		**–**	53
Bank balances and cash		**7,432**	13,701
		71,072	71,326
Assets classified as held for sale		**944**	–
		72,016	71,326
Current liabilities			
Trade and other payables	*9*	**10,648**	8,760
Unsecured bank borrowings-due within one year		**4,142**	5,511
Tax payable		**311**	1,150
		15,101	15,421
Net current assets		**56,915**	55,905
		126,587	127,476
Capital and reserves			
Share capital		**9,428**	9,428
Share premium and reserves		**113,685**	112,730
Total equity		**123,113**	122,158
Non-current liabilities			
Unsecured bank borrowings-due after one year		**–**	1,875
Deferred tax liabilities		**3,474**	3,443
		3,474	5,318
		126,587	127,476

Notes:

1. Basis of preparation

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, 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.

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 HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised 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.

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

Amendments to HKFRS 7	Disclosures-Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax-Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 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's credit risk are not subsequently reclassified to profit or loss. Currently, 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 was presented in profit or loss.

The directors expect HKFRS 9 will be adopted in financial year beginning 1 January 2015. Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2011, the adoption of HKFRS 9 is not expected to have significant impact on the Group's consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation-Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may not have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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, Asia, Europe 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 31 December 2011

	North America	Asia	Europe	Other regions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE					
External sales of goods	**65,387**	**21,934**	**11,124**	**3,542**	**101,987**
RESULTS					
Segment results	**9,136**	**1,866**	**1,207**	**510**	**12,719**
Unallocated income					**451**
Interest income					**150**
Unallocated expenses					**(13,631)**
Share of loss of an associate					**(5)**
Share of loss of a jointly controlled entity					**(886)**
Interest on bank borrowings wholly repayable within five years					**(112)**
Loss before taxation					**(1,314)**
Taxation					**(2,822)**
Loss for the year					**(4,136)**

For the year ended 31 December 2010

	North America *US$'000*	Asia *US$'000*	Europe *US$'000*	Others regions *US$'000*	Total *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)

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 (loss) profit 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 regions	Operating segment total	Recon-ciliations	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 31 December 2011							
Depreciation	1,570	527	267	85	2,449	681	3,130
For the year ended 31 December 2010							
Depreciation	1,198	679	251	105	2,233	767	3,000

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:

	2011	2010
	US$'000	*US$'000*
United States of America	**63,427**	38,312
People's Republic of China ("PRC")	**10,646**	11,276
Belgium	**7,273**	6,125
Japan	**4,420**	3,739
South Korea	**1,530**	1,790
United Kingdom	**2,207**	1,096
Others	**12,484**	10,025
	101,987	72,363

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 and place of operations of relevant associate and a jointly controlled entity are detailed below:

	2011	2010
	US$'000	*US$'000*
PRC	**69,663**	71,554
Hong Kong	**5**	9
Taiwan	**4**	8
	69,672	71,571

Information about major customers

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

	2011	2010
	US$'000	*US$'000*
Customer A	**63,356**	40,233
Customer B	**17,929**	7,339
Customer C	**N/A[1]**	8,642

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

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

4. Loss before taxation

	2011	2010
	US$'000	*US$'000*
Loss before taxation has been arrived at after charging:		
Directors' emoluments	**419**	497
Other staff costs	**33,415**	23,828
Retirement benefits scheme contributions (excluding contributions in respect of directors)	**1,779**	1,396
Total staff costs	**35,613**	25,721
Auditor's remuneration	**156**	133
Cost of inventories recognised as an expense	**84,950**	59,531
Depreciation for property, plant and equipment	**3,130**	3,000
Loss on disposal of property, plant and equipment	**4**	–
Loss on fair value changes of held for trading investments (included in administrative expenses)	**173**	2
Net foreign exchange losses	**992**	409
Release of prepaid lease payments (included in administrative expenses)	**178**	169
and after crediting to other income:		
Gain on disposal of prepaid lease payments	**270**	–
Gain on disposal of property, plant and equipment	**–**	5
Gain on fair value changes of derivative financial instruments	**61**	53
Interest income	**150**	160

5. Taxation

	2011	2010
	US$'000	*US$'000*
Current tax:		
PRC	**363**	167
Taiwan	**1**	1
	364	168
Underprovision in prior years:		
PRC	**2,458**	–
	2,822	168

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.

During the year, the Group reached a settlement agreement with a PRC tax authority regarding the Group's transfer pricing arrangements for previous years, resulting in payment of additional Enterprise Income Tax of approximately US$2,458,000 (2010: Nil) which was charged to profit or loss in the current year.

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 loss before taxation per the consolidated statement of comprehensive income as follows:

	2011	2010
	US$'000	*US$'000*
Loss before taxation	**(1,314)**	(2,331)
Tax at the domestic income tax rate of 25%	**(329)**	(583)
Tax effect of share of loss (profit) of an associate/ a jointly controlled entity	**223**	(11)
Tax effect of expenses not deductible for tax purposes	**318**	619
Tax effect of income not taxable for tax purposes	**(644)**	(365)
Underprovision in respect of prior year	**2,458**	–
Tax effect of tax losses/deductible temporary differences not recognised	**796**	508
Tax charge for the year	**2,822**	168

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

	2011	2010
	US$'000	*US$'000*
Dividends recognised as a distribution during the year:		
2011 interim-0.5 HK cents (2010: nil) per share	**472**	–
2010 Final-0.5 HK cents (2010: 2009 final dividend 1.0 HK cents) per share	**471**	943
	943	943

An interim dividend of 0.5 HK cents per share amounting to US$472,000 in aggregate was paid to the shareholders during the year. A final dividend of 0.5 HK cents per share in respect of the year ended 31 December 2011 (2010: 0.5 HK cents) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

7. Loss per share

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of US$4,136,000 (2010: US$2,499,000) and on 730,700,000 (2010: 730,700,000) ordinary shares in issue during the year.

There are no potential ordinary shares outstanding for each of the two years ended 31 December 2011.

8. Trade and other receivables

	2011	2010
	US$'000	*US$'000*
Trade receivables	**11,000**	6,787
Other receivables	**3,889**	3,165
Total trade and other receivables	**14,889**	9,952

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:

	2011	2010
	US$'000	*US$'000*
0-30 days	**9,589**	6,011
31-60 days	**1,289**	626
Over 60 days	**122**	150
Total trade receivables	**11,000**	6,787

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% (2010: 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$122,000 (2010: US$150,000) 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

	2011	2010
	US$'000	*US$'000*
61-90 days	**47**	62
91-120 days	**4**	79
Over 121 days	**71**	9
Total	**122**	150

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:

	2011	2010
	US$'000	*US$'000*
0-30 days	**3,752**	2,520
31-60 days	**177**	202
Over 60 days	**210**	201
Total trade payables	**4,139**	2,923
Other payables	**6,509**	5,837
	10,648	8,760

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 cents per ordinary share for the year ended 31 December 2011 to shareholders whose names appear on the register of members of the Company on 8 June 2012. Subject to approval at the forthcoming annual general meeting, dividend warrants will be sent to shareholders on or before 15 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 May 2012 to Thursday, 31 May 2012, 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later that 4:30 p.m. on Monday, 28 May 2012.

In addition, the register of members of the Company will be closed from Wednesday, 6 June 2012 to Friday, 8 June 2012, 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, 5 June 2012.

RESULTS REVIEW

Results

The Group recorded a net loss after taxation of US$4,136,000 (2010: US$2,499,000), and an increase of turnover from US$72,363,000 in 2010 to US$101,987,000 in this year. Gross profit margin slightly dropped from 17.7% in 2010 to 16.7% in the year.

Geographical Market

North America remains the largest export market of the Group, accounting for 64.1% of the Group's turnover. Turnover contribution from the Asian and European market and other regions represented 21.5%, 10.9% and 3.5% respectively.

BUSINESS REVIEW

It is undeniable that the market participants of the manufacturing industry all over the world have experienced a rather tough year throughout 2011, numerous outbreaks of financial and credit crisis have adversely affected the American and European economy, and have severely weakened the China export trade market. Benefit from the collaboration between western country leaders for the breakthrough to the current situation, the contraction of export volume did show sign of recovery in 2011, the Group recorded an overall increment of export trading when compared to last year.

China is now undergoing an active phase of reforming its rules and regulations to better protect the local employees in every corporate. Together with many other goals on the agenda of the Chinese government, such as improved social welfare and sustainable economic expansion, it significant increases production costs such as the statutory employee retirement contributions, environment and labor protection and local tax expenses. However, the Group views these changes as exciting and encouraging, since they also coincide with the Group's core values.

Domestic Market

China is still the striking market around the world. We have being expanding our business in various aspects and developing different products for many years. Thus, we are familiar with domestic market to a certain extent. The Group gives priority to China market. Yet, the market has been undergoing rapid and material changes in recent years, such as climate, consumer preference and behavior and business environment, posing challenges for the Group's development in China. The Group will work closely with the local sales office and the marketing leaders to substantiate a series of new promotion activities, to secure our competitive edges and maintain our market shares in this attractive high potential market.

The Group is dedicated to developing its own brand, Magic House, main products of which include clothes and shoes. And with self-owned distribution channels, we have laid a sound foundation for our business development. Other projects, such as exclusive right to market children's shoes of OshKosh B'Gosh, a world-known brand, have achieved a positive progress. We will continue to explore domestic market adhering to a conservative, safe and stable strategy.

SOCIAL RESPONSIBILITY

Contribution to the community is one of the largest momentums to drive the Group to excel and move forward. During year 2011, the Group had maintained a high standard in promoting work safety awareness, as well as, minimizing industrial waste and damage to the environment. The Group will never cease learning, while refining our business policies and improving manufacturing technologies will remain as our ongoing endeavors. We are also proud of the Group's comprehensive corporate governance structure and talented management and staff.

Being a caring corporation, the Group continues to contribute the community by donation. We strongly believe that treasuring and respecting local resources can prepare and foster the Group's to evolve with the times.

FUTURE PROSPECTS

Facing a lot of uncertainties, the Group expects the hard times will not persist for a long period of time. Operational reforms aim at bringing out the greatest synergy from existing resources. Financial plans also take an important role in formulating a better assets management strategy, resulted the strongest liquidity position among recent years.

Also, our commitment to local society and concern to workers are reinforced. The Group will continue our success and share the achievement with the stakeholders and the community.

FINANCIAL REVIEW

During the year ended 31 December 2011, the Group continued to concentrate on the manufacture and sales of footwear products. For the year ended 31 December 2011, the Group recorded a turnover of US$101,987,000 (2010: US$72,363,000) representing 40.9% increase comparing to 2010.

Loss before taxation of the Group for the year ended 31 December 2011 was US$1,314,000 (2010: US$2,331,000), an improvement of US$1,017,000 as compared to the corresponding period in 2010. However, after accounting for income taxes of US$2,822,000, resulted a loss after taxation of US$4,136,000 (2010: US$2,499,000). Basic loss per share for the year ended 31 December 2011 was 0.57 US cents (basic loss per share for 2010: 0.34 US cents). Gross profit margin slightly decreased to 16.7% 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$3,244,000 in 2011 as compared to 2010. This, helped to reduce the interest expenses by US$44,000.

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 31 December 2011, the Group had cash and cash equivalent of US$7,432,000 (2010: US$13,701,000) and total borrowings of US$4,142,000 (2010: US$7,386,000), and reached the net bank balances and cash of US$3,290,000 (US$6,315,000 in 2010). As at 31 December 2011 the Group's solid financial liquidity position was reflected by a healthy current ratio of 4.8 (2010: 4.6) times.

CAPITAL EXPENDITURE

For the year ended 31 December 2011, the Group incurred US$759,000 in capital expenditure, of which approximately 88% 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 31 December 2011 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 31 December 2011, 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 31 December 2011, 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 31 December 2011.

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 2011.

By Order of the Board
Wu Chen San, Thomas
Chairman

Hong Kong, 28 March 2012

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).