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Pegasus Entertainment Holdings Limited

天馬娛樂控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8039)

ANNOUNCEMENT IN RELATION TO UPDATES ON THE COMPANY'S BUSINESS PLAN AND MEMORANDUM OF UNDERSTANDING IN RESPECT OF A POSSIBLE ACQUISITION

This announcement is made by Pegasus Entertainment Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

UPDATES ON THE COMPANY'S BUSINESS PLAN

Reference is made to the Company's prospectus dated 9 October 2012 in which it has stated the Group's intention to release five films during the year ending 30 June 2013.

Up to the date of this announcement, the Group has released three films, namely “Love is... Pyjamas” (男人如衣服), “Hotel Deluxe” (百星酒店) and “Saving General Yang” (忠烈楊家將). The remaining two films originally scheduled to be released during the year ending 30 June 2013, namely “Baby Blues” (詭眼), a 3-D thriller film, and a romance film, are expected to be released in the following financial year. “Baby Blues” (詭眼) is currently in post-production stage and has been confirmed for release between September and October 2013 by the co-producer in the People's Republic of China, whilst the commencement of the shooting of the romance film has been postponed to September 2013 and is expected to be released in the following financial year mainly due to a change of the leading cast's availability.

The board (the “**Board**”) of directors of the Company (the “**Directors**”) considers that the financial position and liquidity of the Group remain solid and healthy and there is no material adverse change in the operations of the Group.

The results for the year ending 30 June 2013 and details regarding the Group's performance of that year are expected to be disclosed in the annual results announcement of the Company which is expected to be published in September 2013. The Company will continue to provide updates on the Company's business plan.

MEMORANDUM OF UNDERSTANDING

The Board wishes to announce that on 17 June 2013 (after trading hours), a wholly-owned subsidiary of the Company (the “**Purchaser**”) entered into a non-binding memorandum of understanding (the “**MOU**”) with a third party (the “**Vendor**”) in relation to the Group’s possible acquisition (the “**Possible Acquisition**”) of certain interests in a group of companies (the “**Target Group**”) which is principally engaged in comic publication and owns the intellectual property rights of a database of comic stories and comic heroes that are suitable for reproduction as movies, television shows, as well as for the development into the online games and mobile games.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is not connected person (as defined in the GEM Listing Rules) of the Company.

Major terms of the MOU

Definitive agreement

The Vendor and the Purchaser intends to enter into a binding agreement (the “**Definitive Agreement**”) in respect of the Possible Acquisition, in form and content acceptable to the Vendor and the Purchaser on or before 16 August 2013 (or such other date as the parties may agree).

The consideration relating to the Possible Acquisition is currently under negotiation. In particular, the Vendor wishes the consideration to be satisfied by way of cash; and the Group is in consideration of payment methods, including but not limited to, debt and/or equity financing.

Exclusivity

During the period from the date of the MOU up to 16 August 2013 (or such other date as the parties may agree) (the “**Exclusivity Period**”), the Group will have the sole and exclusive right to negotiate with the Vendor with a view to agreeing and executing the Definitive Agreement. The Vendor has undertaken to the Purchaser that it will not sell, or enter into negotiations or discussions with any person other than the Purchaser with a view to selling, any of the shares owned by the Vendor or any part of the assets and business of the Target Group and it will not procure the Target Group to, among other things, issue any new shares, warrants or other securities during the Exclusivity Period without the prior written consent of the Purchaser.

Due diligence

The Purchaser has the right to conduct the due diligence review on the financial condition, legal and other affairs of the Target Group during the Exclusivity Period and determine whether or not to proceed with the signing of the Definitive Agreement and the Possible Acquisition.

Legal binding

Save for the legally binding provisions relating to conduct of confidentiality, exclusivity, notices, costs and governing law and jurisdiction in the MOU, the MOU is not legally binding on the parties to the MOU in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution and completion of the Definitive Agreement.

REASONS FOR ENTERING INTO THE MOU

The Company is an investment holding company and its subsidiaries are principally engaged in film production, distribution and licensing of film rights. The Group has been actively seeking opportunities to diversify the existing business with a new line of business with significant growth potential and to diversify the Group's revenue stream in order to enhance the value of the shares of the Company. The management of the Company considers that the MOU allows the Company to look into, on an exclusive basis, an opportunity in acquiring certain interests in a business for diversifying its business.

The Board wishes to emphasise that as the Possible Acquisition may or may not proceed, shareholders and investors of the Company should exercise caution when dealing in the shares of the Company. If the Possible Acquisition materialises, it may constitute a notifiable transaction of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event that any binding agreement has been signed or as and when required by the GEM Listing Rules.

By order of the Board
Pegasus Entertainment Holdings Limited
Wong Pak Ming
Chairman

Hong Kong, 17 June 2013

As at the date of this announcement, the executive Directors are Mr. Wong Pak Ming, Ms. Wong Yee Kwan Alvina and Mr. Wong Chi Woon Edmond and the independent non-executive Directors are Mr. Lam Kam Tong, Mr. Lo Eric Tien-cheuk and Mr. Tang Kai Kui Terence.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (a) the information contained in this announcement is accurate and complete in all material respects and not misleading; (b) there are no other matters the omission of which would make any statement in this announcement misleading; and (c) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the "Latest Company Announcement" page of the GEM website (www.hkgem.com) for at least seven days from the date of its posting and on the Company's website (www.pegasusmovie.com).