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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Growth Enterprise Market ("GEM") has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Pegasus Entertainment Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group (as defined below) reported a profit attributable to owners of the Company of approximately HK$19.1 million for the year ended 30 June 2013 as compared to the corresponding year 2012 of approximately HK$21.0 million, the slightly decrease was mainly due to the increase in operating expenses outweighed the increase of the gross profit of the Group.

- The Group achieved a record high revenue of approximately HK$192.6 million for the year ended 30 June 2013, an increase of HK$55.5 million or 40.4% compared to the corresponding year 2012.

- Gross profit margin for the year ended 30 June 2013 was approximately 33.9% which translates into gross profit of approximately HK$65.3 million.

- The Group's net assets and net current assets as at 30 June 2013 reached HK$193.9 million and HK$162.0 million respectively, of which approximately HK$60.0 million in terms of bank balances and cash.

- The Board (as defined below) does not recommend the payment of final dividend for the year ended 30 June 2013.

RESULTS

The Board of Directors of the Company (the "Board") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2013 together with the comparative figures for the corresponding year 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	NOTES	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*4*	**192,645**	137,186
Cost of sales		**(127,362)**	(81,048)
Gross profit		**65,283**	56,138
Other income and gain		**974**	2,587
Selling and distribution expenses		**(21,794)**	(16,192)
Administrative expenses		**(16,976)**	(7,971)
Finance costs	*6*	**(53)**	(559)
Other expenses		**(3,806)**	(7,497)
Profit before tax		**23,628**	26,506
Income tax expense	*7*	**(4,484)**	(5,525)
Profit and total comprehensive income for the year attributable to owners of the Company	*8*	**19,144**	20,981
Earnings per share			
Basic (HK cents)	*9*	**5.2**	7.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**1,839**	909
Prepayment to an artiste		**30,000**	30,000
Deferred tax asset		**99**	–
		31,938	30,909
Current assets			
Film rights		**33,241**	8,560
Film production in progress		**26,668**	122,186
Investments in film/drama production		**35,577**	–
Trade and other receivables	*10*	**24,274**	5,553
Prepayment to an artiste		**10,000**	10,000
Amounts due from related companies		**–**	342
Tax recoverable		**35**	–
Pledged bank deposit		**30,055**	–
Bank balances and cash		**29,973**	15,937
		189,823	162,578
Current liabilities			
Trade and other payables	*11*	**7,850**	3,240
Receipts in advance		**9,251**	85,953
Amounts due to related companies		**3,335**	1,702
Amount due to a director		**–**	50,000
Tax payable		**7,405**	9,544
Unsecured bank borrowings		**–**	1,957
		27,841	152,396
Net current assets		**161,982**	10,182
Net assets/Total assets less current liabilities		**193,920**	41,091
Capital and reserves			
Share capital/capital	*12*	**4,000**	10
Reserves		**189,920**	41,081
		193,920	41,091

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Attributable to owners of the Company				
	Share capital/ capital *HK$'000*	**Share premium** *HK$'000*	**Other reserve** *HK$'000 (Note)*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 July 2011	10	–	–	20,100	20,110
Profit and total comprehensive income for the year	–	–	–	20,981	20,981
At 30 June 2012 *(note 12)*	10	–	–	41,081	41,091
Profit and total comprehensive income for the year	–	–	–	19,144	19,144
Arising on Reorganisation	(10)	–	10	–	–
Issue of shares upon the loan capitalisation *(note 12(iv))*	–	50,000	–	–	50,000
Issue of shares upon capitalisation issue *(note 12(v))*	3,000	(3,000)	–	–	–
Issue of new shares	1,000	89,000	–	–	90,000
Cost of issuing new shares	–	(6,315)	–	–	(6,315)
At 30 June 2013	4,000	129,685	10	60,225	193,920

Note: Other reserve represents the difference between the aggregate nominal value of the respective share capital of the companies now comprising the subsidiaries of the Company over the nominal value of the shares of the Company issued pursuant to the group reorganisation exercise on 5 October 2012 (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's share on GEM of the Stock Exchange (the "Listing").

NOTES TO THE FINAL RESULTS

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

The Company is a limited liability company incorporated in the Cayman Islands on 8 March 2012 and its shares have been listed on GEM of the Stock Exchange with effective from 31 October 2012. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Rooms 1801-2, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. Its immediate and ultimate holding company is Honour Grace Limited ("Honour Grace"), a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The Group is principally engaged in film production, distribution and licensing of film rights.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the Company's functional and presentation currency.

1.2 Reorganisation

Under the Reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation were set out in the paragraph headed "Reorganisation" in Appendix IV to the prospectus dated 9 October 2012 issued by the Company (the "Prospectus").

The principal steps of the Reorganisation, which involved the exchange of shares, were as follows:

(i) On 9 December 2011, Green Riches Holdings Limited ("Green Riches") was incorporated and one share was allotted and issued to Honour Grace on 22 December 2011. Honour Grace was owned as to 60% by Mr. Wong Pak Ming ("Mr. Wong"), 20% by Ms. Wong Yee Kwan Alvina ("Ms. Alvina Wong") and 20% by Mr. Wong Chi Woon Edmond ("Mr. Edmond Wong") (Mr. Wong, Ms. Alvina Wong and Mr. Edmond Wong, collectively referred to as the "Controlling Shareholders").

(ii) On 5 October 2012, Honour Grace, through Green Riches, acquired from PM Entertainment Holdings Limited (formerly known as Pegasus Entertainment Holdings Limited and wholly owned by the Controlling Shareholders), the entire issued share capital of Pegasus Motion Pictures Production Limited, Pegasus Motion Pictures (Hong Kong) Limited, Pegasus Motion Pictures Distribution Limited and Star Pictures Entertainment Limited; as consideration for these acquisitions by Honour Grace and at the direction of PM Entertainment Holdings Limited, Honour Grace allotted and issued a total of five new shares, credited as fully paid to Mr. Wong as to three shares, Ms. Alvina Wong as to one share and Mr. Edmond Wong as to one share.

(iii) On 5 October 2012, Honour Grace, through Green Riches, acquired from the Controlling Shareholders, the entire issued share capital of Star Pictures Entertainment (Hong Kong) Limited; as consideration for such acquisition by Honour Grace, Honour Grace allotted and issued a total of five new shares, credited as fully paid to Mr. Wong as to three shares, Ms. Alvina Wong as to one share and Mr. Edmond Wong as to one share.

(iv) On 5 October 2012, the Company acquired the entire issued share capital of Green Riches from Honour Grace, in consideration of which the Company allotted and issued 9,999 new shares to Honour Grace and becomes the holding company of the Group.

As the Group is controlled by the Controlling Shareholders before and after the Reorganisation, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Reorganisation had been in existence throughout the years ended 30 June 2012 and 2013, or since their respective dates of incorporation or establishment of the relevant companies now comprising the Group, where these is a shorter period.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value. The principal accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the annual combined financial statements for the year ended 30 June 2012 except in relation to the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA") that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the consolidated financial statements.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

3. APPLICATION OF 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 HKAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

Except as described below, the application of the 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.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". Other than the above mentioned presentation change, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments HKAS1[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) – Int 21	Levies[2]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.

HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

The initial and subsequent accounting of joing ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The Directors reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirement of HKFRS 11. The Directors concluded that the Group's investments in joint arrangements in relation to the film production in progress are currently classified as joint controlled assets under HKAS 31 should be classified as joint operations under HKFRS 11. HKFRS 11 will be applied by the Group in its financial period beginning on 1 July 2013 and the application of HKFRS 11 is not expected to have material impact to the Group.

HKFRS 12 Disclosure of Interest in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. HKFRS 12 will be applied by the Group in its financial period beginning on 1 July 2013. In general, the application of HKFRS 12 will result in more extensive disclosures in the consolidated financial statements in relation to the joint arrangements of the Group.

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. HKFRS 13 will be applied by the Group in its financial period beginning on 1 July 2013 and the Directors anticipate that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

The Directors anticipate that the application of the above new and revised HKFRSs will have no material impact on the financial performance and financial position of the Group.

4. REVENUE

	2013	2012
	HK$'000	*HK$'000*
Film production, distribution and licensing income	**190,218**	134,480
Advertising income	**453**	1,350
Service income	**1,974**	1,356
	192,645	137,186

5. SEGMENT INFORMATION

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the Directors, the chief operating decision makers ("CODM") in order to allocate resources to the segments and to assess their performance.

The Group is principally engaged in the film production, distribution and licensing of film rights in Hong Kong, the People's Republic of China (the "PRC"), South East Asia Region, Europe and United States. Information reported to the CODM for the purpose of resources allocation and performance assessment focus on the film production, distribution and licensing of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has only one single operating segment – film production, distribution and licensing and no further analysis of this single segment is presented.

Segment profit represents the gross profit of the Group without allocation of other income and gain, selling and distribution expenses, administrative expenses, finance costs and other expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As the Group's segment assets and liabilities are not regularly provided to the Group's CODM, the relevant analysis for both years is not presented.

Geographical information

An analysis of the Group's revenue from external customers by geographical market based on where the film distribution and licensing income is derived from are as below:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong and Macau	**31,883**	15,512
The PRC	**129,175**	102,649
South East Asia Region	**12,201**	16,322
Others	**19,386**	2,703
	192,645	137,186

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**95,100**	–*
Customer B	**–**	48,139
Customer C	**–***	46,790

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**35**	142
Interest on bank overdraft	**18**	5
Interest on advance from a director and a related company	**–**	39
Effective interest expense on a loan financing	**–**	597
	53	783
Less: Interest capitalised in film production in progress	**–**	(224)
	53	559

Borrowing cost capitalised for the year ended 30 June 2012 arose from a loan financing that was used to finance the production of a specific film.

7. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
The income tax expense comprises:		
Hong Kong Profits Tax		
– current	**4,703**	5,525
– overprovision in prior years	**(537)**	–
	4,166	5,525
PRC Enterprise Income tax ("EIT")	**417**	–
	4,583	5,525
Deferred taxation	**(99)**	–
	4,484	5,525

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 subsidiary is 25% from 1 January 2008 onwards. The PRC subsidiary had incurred loss for the year ended 30 June 2012 and no provision for EIT was made for that year.

8. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**4,070**	3,867
Other staff costs	**4,783**	3,081
Retirement benefit scheme contributions, excluding those of directors	**356**	164
Total staff costs	**9,209**	7,112
Auditors' remuneration	**768**	718
Depreciation of property, plant and equipment	**475**	320
Cost of film rights recognised as an expense	**127,362**	81,048
Minimum lease payments under operating leases	**1,354**	1,284
Listing expenses (included in other expenses)	**3,806**	7,497
and after crediting:		
Bank interest income	**136**	631
Net exchange gain	**100**	1,275
Interest income from loan receivable from a related company	**–**	31

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**19,144**	20,981
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**365,794,114**	297,029,703

The number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 30 June 2012 and 2013 had been adjusted retrospectively assuming that the Reorganisation and the capitalisations, has been effective from 1 July 2011.

No diluted earnings per share is presented for the years as there were potential ordinary shares outstanding.

10. TRADE AND OTHER RECEIVABLES

The aged analysis of the Group's trade receivables, net of allowance for doubtful debts, based on the invoice date at the end of the reporting period is as follows:

	2013	2012
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**10,794**	4,795
31 – 60 days	**402**	585
61 – 90 days	**2,438**	–
91 – 180 days	**420**	–
181 – 365 days	**3,496**	–
	17,550	5,380
Other receivables, deposits and prepayments *(note)*	**6,724**	173
	24,274	5,553

Generally no credit period is granted to the Group's customers. Distribution and licensing fee from distributors in Hong Kong, the PRC and overseas countries are normally settled upon delivery of film negatives to them. On a case-by-case basis, one to two months of credit period may be granted to its customers.

These trade receivables relate to a number of independent customers that have a good repayment history. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$6,354,000 (2012: nil) as at 30 June 2013 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral or credit enhancements over these balances.

Aging of trade receivables which are past due but not impaired:

	2013	2012
	HK$'000	*HK$'000*
61 – 90 days	**2,438**	–
91 – 180 days	**420**	–
181 – 365 days	**3,496**	–
	6,354	–

The management of the Group believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. The Group does not hold any collateral over those balances.

Note: Included in other receivables, deposits and prepayments was an amount of HK$6,210,000 (2012: nil) which the Group paid to an independent third party in the PRC on behalf of one of the PRC co-producers of a film production in progress for film production purpose. The amount is unsecured, interest free and repayable on demand.

11. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payable	**–**	300
Other payables and accruals	**6,600**	2,940
Deposits received	**1,250**	–
	7,850	3,240

At 30 June 2012, the trade payable was aged within 30 days.

12. SHARE CAPITAL/CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.01 each:		
Authorised:		
On 8 March 2012 (date of incorporation) and at 30 June 2012 *(note (i))*	38,000,000	380
Increase in authorised share capital *(note (ii))*	7,962,000,000	79,620
At 30 June 2013	8,000,000,000	80,000
Issued and fully paid:		
Issue of a share on 8 March 2012 (date of incorporation) and at 30 June 2012 *(note (i))*	1	–
Issued pursuant to the Reorganisation *(note (iii))*	9,999	–
Issued upon the loan capitalisation *(note (iv))*	100	–
Issued of shares upon capitalisation issue *(note (v))*	299,989,900	3,000
Issue of new shares *(note (vi))*	100,000,000	1,000
At 30 June 2013	400,000,000	4,000

At 30 June 2012, the capital represents the aggregate share capital of the Company, Green Riches, Pegasus Motion Pictures Production Limited, Pegasus Motion Pictures (Hong Kong) Limited, Pegasus Motion Pictures Distribution Limited, Star Pictures Entertainment (Hong Kong) Limited and Star Pictures Entertainment Limited of HK$0.01, US$1 (equivalent to approximately HK$8), HK$1, HK$1, US$1 (equivalent to approximately HK$8), HK$10,000 and US$1 (equivalent to approximately HK$8), respectively.

Notes:

(i) The Company was incorporated with an authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each and one nil-paid subscriber share at par value of HK$0.01 was issued to Codan Trust Company (Cayman) Limited. The share was transferred to Mr. Wong on the same day. On 15 March 2012, the one nil-paid subscriber share was transferred from Mr. Wong to Honour Grace.

(ii) Pursuant to the written resolutions of the then sole shareholder of the Company passed on 5 October 2012, the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of a further 7,962,000,000 ordinary shares with a nominal value of HK$0.01 each.

(iii) On 5 October 2012, the Company acquired the entire issued share capital of Green Riches from Honour Grace in consideration of which the Company allotted and issued 9,999 shares to Honour Grace and credited as fully paid at par the one nil-paid subscriber share then held by Honour Grace. After the share transfer, Green Riches became a wholly-owned subsidiary of the Company.

(iv) On 5 October 2012, the Directors were authorised to capitalise a loan due from the Company to Mr. Wong, in an aggregate sum of HK$50,000,000 by the allotment and issue of 100 shares to Honour Grace (at the direction of Mr. Wong) at an aggregate subscription price of HK$50,000,000.

(v) On 31 October 2012, the Company capitalised an amount of HK$2,999,899 standing to the credit of its share premium account to allot and issue 299,989,900 shares credited as fully paid to Honour Grace.

(vi) On 31 October 2012, the Company issued 100,000,000 shares pursuant to the Company's listing on the Stock Exchange by way of placing at a price of HK$0.9 per share.

13. RELATED PARTY DISCLOSURES

(I) Transactions

(i) During the year, the Group entered into the following significant transactions with related parties:

Name of related parties	*Notes*	Nature of transaction	**2013** **HK$'000**	2012 *HK$'000*
PM Motion Pictures Limited	*(a)*	Service income	**1,974**	1,356
Pegasus Laboratory (International) Limited ("Pegasus Laboratory")	*(b)*	Loan receivable interest income	**–**	31
		Film processing services fee	**2,211**	1,942
Pure Project Limited	*(c)*	Rental expense	**360**	360
Prime Moon International Limited ("Prime Moon")	*(d)*	Co-ordinator and producer fee	**–**	225
Chili Advertising & Promotions Limited ("Chili")	*(e)*	Advertising and promotion services fee	**1,304**	799
天馬影聯影視文化（北京）有限公司 ("Pegasus Ying Lian")	*(f)*	Management fee	**221**	618
杭州天馬影視文化有限公司 ("Hangzhou Pegasus")	*(g)*	Management fee	**148**	36
Ms. Alvina Wong	*(h)*	Loan interest expense	**–**	28
Starbright Communications Limited ("Starbright")	*(i)*	Loan interest expense	**–**	11
EC Production House	*(j)*	Script writing fee	**800**	619
Richel Corporation Limited ("Richel")	*(k)*	Actor and executive producer fee	**–**	2,800

Notes:

(a) The service income was received from PM Motion Pictures Limited for the Group's provision of film distribution services. The Controlling Shareholders, all being the Directors, collectively have controlling interest over this company.

(b) The film processing services fee was paid to Pegasus Laboratory in which it is beneficiary owned by a company collectively controlled by the Controlling Shareholders at 30 June 2012 and 2013.

The loan interest income was received from Pegasus Laboratory for the loan receivable from Pegasus Laboratory in which the loan receivable had been fully settled during the year ended 30 June 2012.

(c) The rental expense was paid to Pure Project Limited for the office premise leased by the Group. Mr. Wong has controlling interest in Pure Project Limited.

(d) The co-ordinator and producer fee was paid to Prime Moon, a company in which Ms. Wong Kit Chun, the sister of Mr. Wong has controlling interest.

(e) The advertising and promotion services fee was paid to Chili in which Mr. Lam Sze Ho Owen, the spouse of Ms. Alvina Wong, has controlling interest in Chili for the period from 1 July 2011 to 15 April 2013. From 16 April 2013 onward, Chili is owned by Ms. Wong Kit Fong, the sister of Mr. Wong.

(f) The management fee was paid to Pegasus Ying Lian in which a member of key management of the Group has controlling interest.

(g) The management fee was paid to Hangzhou Pegasus in which a member of key management of the Group has controlling interest.

(h) The loan interest expense was paid to Ms. Alvina Wong for a loan principal of HK$2,500,000, carrying an interest at 2.5% per annum, advanced to the Group in July 2011 and the loan had been fully settled during the year ended 30 June 2012.

(i) The loan interest expense was paid to Starbright in which Ms. Alvina Wong has controlling interest for a loan principal of HK$1,000,000, carrying an interest at 2.5% per annum, advanced to the Group in July 2011 and the loan had been fully settled during the year ended 30 June 2012.

(j) The script writing fee was paid to EC Production House in which Mr. Edmond Wong has controlling interest.

(k) The actor and executive producer fee was paid to Richel in which Mr. Wong has controlling interest.

(ii) At 30 June 2012, Mr. Wong and Mr. Edmond Wong had provided guarantees to banks for banking facilities to the extent of HK$18,000,000 granted to a subsidiary of the Company. The guarantees had been released during the year ended 30 June 2013.

At 30 June 2012, Mr. Wong had provided guarantee to a bank for a banking facility to the extent of HK$1,000,000 granted to a subsidiary of the Company. The guarantee had been released during the year ended 30 June 2013.

(iii) During the year ended 30 June 2012, the Group had omitted the application for the registration of two of its subsidiaries, Pegasus Motion Pictures Distribution Limited and Star Pictures Entertainment Limited within one month of the establishment of the places of business as required under Part XI of the Hong Kong Companies Ordinance. The Group is liable to a fine of approximately HK$18,000 and Mr. Wong provided an indemnity in full amount of the fine to be levied by the Hong Kong Companies Registry. The fine was fully settled during the year ended 30 June 2013.

(iv) During the year ended 30 June 2013, the Company acquired a subsidiary, Pegasus Motion Pictures Investment Limited from Mr. Wong at a consideration of HK$1.

(II) Compensation of key management personnel

The remuneration of Directors and other key management personnel of the Group during the year was as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries and other allowances	**7,005**	542
Others*	**800**	3,419
Retirement benefit scheme contributions	**129**	65
	7,934	4,026

* Others comprises of actor and executive producer fee paid to Richel in which Mr. Wong, a director of the Company, has controlling interest and script writing fee paid to EC Production House in which Mr. Edmond Wong, a director of the Company, has controlling interest.

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

14. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into the following significant transactions:

(i) On 6 August 2013, the Company completed placing of 70,000,000 new shares issued by the Company to not less than six placees at the price of HK$0.9 per placing share. The gross proceeds and net proceeds from the placing are approximately HK$63.0 million and HK$61.3 million respectively.

(ii) On 13 August 2013, a wholly-owned subsidiary of the Company entered into an acquisition agreement (the "Acquisition Agreement") with an independent third party to acquire 40% of the entire issued share capital in Jade Dynasty Holdings Limited ("JDH") for an aggregate cash consideration of HK$60.0 million (the "Acquisition"). JDH and its subsidiaries ("JDH Group") 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.

Pursuant to the Acquisition Agreement, a call option was granted to the Group which entitled the Group to acquire an additional 20% or more of the entire issued share capital in JDH during the period commencing on the date of completion of the Acquisition and ending on its first anniversary, at a consideration which is to be determined based on the valuation of JDH Group at the date of the call option exercised.

Details are set out in the Company's announcement on 13 August 2013. Up to the date of this announcement, the Acquisition is not yet completed.

DIVIDENDS

No dividend was paid or proposed for the year ended 30 June 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

We are principally engaged in the production and distribution of films in Hong Kong, the PRC and South East Asia through our established distribution channels. We have been producing films in Chinese language with the PRC as our major market.

During the year under review, the principal business activities of the Group comprised (a) production of films; (b) distribution and licensing of our films to regions including Taiwan, Japan, the United States of America and Europe in addition to our major markets of Hong Kong, the PRC and South East Asia; (c) offering product placement and sponsorship opportunities in our films to derive advertising income; and (d) distribution of films and television ("TV") series in the film library owned by our controlling shareholders (the "Personal Library"). The Group's business model and the principal business activities remained as those disclosed in the prospectus of the Company dated 9 October 2012 (the "Prospectus") during the year under review.

During the year under review, we generated revenue by licensing films we produced to co-producers in the PRC and film distributors and licencees in Hong Kong and overseas. We also derived advertising income by offering product placement and sponsorship opportunities in our films. In addition, we recognised income from commission received for distributing films and TV series in the Personal Library.

The Group 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), during the year ended 30 June 2013 and two films, namely "Magic To Win" (開心魔法) and "All's Well End's Well 2012" (八星抱喜), during the corresponding year 2012. During the year under review, the Group invested in an international film to be produced for worldwide theatrical distribution and several PRC TV drama and animations programme produced for distribution and broadcasting in the PRC and Hong Kong. As disclosed in the Prospectus, due to the limited number of films distributed by the Group, the scale, schedule of release and the result of one film could have significant impact on the Group's results. Given the distinctive business model of the Group, the Group's quarterly and interim financial results may not be indicative of the Group's financial results of a full year and the Group's financial performance would fluctuate from period to period.

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.

Financial review

Revenue

Revenue and gross profit of the Group were approximately HK$192.6 million and HK$65.3 million respectively for the year ended 30 June 2013, representing increases of approximately HK$55.5 million or 40.4% and HK$9.1 million or 16.3% respectively compared to the previous financial year. This was mainly due to the impressive revenue contributed by our first large-scale film "Saving General Yang" (忠烈楊家將), which is directed by Ronny Yu, a renowned Hollywood film director, accounted for approximately 64.2% of the total revenue for the year under review. Gross profit margin for the year ended 30 June 2013 was approximately 33.9%, which showed a slight decrease from that of approximately 40.9% for the previous financial year. This was mainly due to lower profit margin of large-scale film compared to general scale film of the Group.

Other income and gain

Other income and gain was approximately HK$1.0 million for the year ended 30 June 2013, representing a decrease of approximately HK$1.6 million or 62.4% compared to the previous financial year. This is mainly due to the net exchange gain of approximately HK$1.2 million recorded in the previous year for the appreciation of Renminbi ("RMB") against HK$ when we settled the film production expenses incurred during the shooting of "Saving General Yang" (忠烈楊家將) in the PRC at the prevailing transaction rate, whilst no such gain was recognised for the year ended 30 June 2013. In addition, no income from making-of was recorded during the year under review as the Group focused on its core business of film production whilst the Group recorded income of approximately HK$0.7 million from artiste management.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$5.6 million or 34.6% from approximately HK$16.2 million for the year ended 30 June 2012 to approximately HK$21.8 million for the year ended 30 June 2013. This was mainly because the number of films released by the Group recorded a year-on-year increase, leading to additional costs on advertising and promotion events.

Administrative expenses

Administrative expenses increased by approximately HK$9.0 million or 113.0% from approximately HK$8.0 million for the year ended 30 June 2012 to approximately HK$17.0 million for the year ended 30 June 2013. This was mainly due to the increase of the total staff costs by approximately HK$4.7 million as a result of (a) a change of arrangement to the directors' remuneration structure in respect of the Listing, as disclosed in the Prospectus; and (b) the average number of employees increasing from 18 for the year ended 30 June 2012 to 27 for the year ended 30 June 2013. Another apparent increase of expenses was mainly due to the expansion of company scale and corporate image development, including approximately HK$3.9 million in relation to corporate promotion and marketing expenses, other professional fees paid to compliance adviser, lawyers and other professional parties for providing professional services since the Listing.

Other expenses

During the six months ended 31 December 2012, other expenses represented the professional fees and expenses directly relating to the Listing.

Income Tax Expense

The income tax expense of the Group during the year ended 30 June 2013 amounted to approximately HK$4.5 million (2012: HK$5.5 million) at the effective tax rate of 19.0% (2012: 20.8%). The effective tax rate during the year under review was mainly attributed by the Hong Kong Profits Tax rate at 16.5% of the estimated assessable profit of the Group for the year under review adjusted by the non-tax-deductible nature of certain expenses directly relating to the Listing and overprovision of Hong Kong Profits Tax provided in prior years.

Profit for the Year under Review

The Group's profit and total comprehensive income attributable to owners of the Company for the year ended 30 June 2013 amounted to approximately HK$19.1 million (2012: HK$21.0 million). The decrease of profit for the year under review compared to the previous year was primarily a result of the increase in selling and distribution and administrative expenses outweighed the increase in gross profit as aforementioned.

Outlook

During the year under review, the Group has continued to carry out its business plan as disclosed in the Prospectus. The PRC continues to be our major market and co-production arrangement remains an expedient way for us to gain access to the PRC film market. According to The State Administration of Radio Film and Television (國家廣播電影電視總局) ("SARFT"), there was a notable annual growth of the PRC total box office receipts of 30.5% during the year of 2012. Furthermore, the PRC total box office receipts recorded an increase from RMB8.1 billion in the first half of 2012 to RMB11.0 billion in the first half of 2013, representing a remarkable period-to-period growth of 36.2%. Due to the continued growth of the PRC film industry as well as the encouragement of the PRC Government to the film industry from its issuance of guidelines on promoting the development of the film industry and implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement, we have identified the PRC as the pivotal market for the Group's future development. We are confident that the outlook for the PRC film industry to be positive and encouraging to industry participants.

Having established a presence in the PRC film market, we have been well positioned as a producer of quality co-productions. In order to capture the prospects and the rapid development of the PRC film market, we will keep expanding our production capacities and the range of films in various genres to be produced. Apart from our well-known comedy series, our 3-D thriller film, "Baby Blues" (詭嬰), has finished the post-production and secured cinema circuits' screening schedules. It is expected to be released and screened in both Hong Kong and the PRC in October 2013. In addition, the commencement of the shooting of the romance film has been rescheduled to October 2013 and is expected to be released in the following financial year mainly due to a change of the leading cast's availability. Three more films are awaiting approvals for the scripts and production will start and to be released in the following financial year.

On the other hand, digitalisation of films has become a trend whilst digital prints maintains quality and effective costing. With the PRC as our major market, which has the second largest number of digital screens globally, the Group intends to invest in such equipment and in recruiting more staff to participate in the post-production stage as mentioned in the Prospectus in the following financial year. We may also consider expanding such business through acquisition or cooperation with other existing post-production companies.

In view of an immense demand for comics and animations in the PRC, reflected in the value of domestic animation production reaching RMB75.0 billion in 2012, the Group has taken an important step in expanding our film related business activities during the year under review. The comics and animation industry has also been listed as one of the key industries in the "Twelfth Five-Year Plan". As disclosed in our announcement on 13 August 2013, the Group has entered into an acquisition agreement with a vendor to acquire Jade Dynasty Holdings Limited, which and its subsidiaries are principally engaged in comics publication and owns the intellectual property right of a database of comics stories and comics heroes, for 40% of its entire issued share capital. This acquisition would be an excellent opportunity for the Group to diversify our business and also brings further business opportunity in the PRC to the Group with the entitlement to a first right of refusal to use the intellectual property rights upon completion of transaction, for the comics reproduction as movies, television shows, as well as for the development into online games and mobile games.

Looking forward, the Group will continue to focus on its core business and utilise our available resources to produce the best films in order to capture the demand for quality film in the PRC film market. Apart from this, the Group will also continue to explore business opportunities associated with its core business so to strengthen its revenue base and maximise the return to the shareholders and the value of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2013, the Group's bank balances and cash amounted to approximately HK$60.0 million (30 June 2012: HK$15.9 million), which are denominated mainly in HK$, United States Dollar ("US$") and RMB.

As at 30 June 2013, the Group did not have any interest-bearing loans and shareholders' loans (2012: interest-bearing loans and shareholders' loans of approximately HK$2.0 million and HK$50.0 million respectively). The gearing ratio, representing the ratio of the total interest-bearing loans and shareholders' loans over the total equity, was approximately 1.3 as at 30 June 2012.

The Group had unutilised credit facilities totaling HK$14.0 million and HK$30.0 million at 30 June 2012 and 30 June 2013 respectively. During the year under review, the Group has released the credit facilities amounted to HK$14.0 million secured by personal guarantees executed by certain Directors and a charge over leasehold land and buildings of a related company as disclosed in the Prospectus. The Group has maintained a new general banking facility amounted to HK$30.0 million for flexibility.

As at 30 June 2013, the Group had total non-current assets of approximately HK$31.9 million (30 June 2012: HK$30.9 million), net current assets of approximately HK$162.0 million (30 June 2012: HK$10.2 million) and net assets of HK$193.9 million (30 June 2012: HK$41.1 million). The current ratio of the Group, representing the ratio of current assets over current liabilities, was approximately 6.8 as at 30 June 2013 (30 June 2012: 1.1).

During the year under review, the Group funds its liquidity by the net proceeds from the Listing and resources generated internally. The Group's financial resources are sufficient to support its business and operations. The Group would also consider other financing activities when appropriate business opportunities arise under favorable market conditions.

In August 2013, the Group has completed on issuance of 70,000,000 new shares under placing at the price of HK$0.9 per share. The gross proceeds and net proceeds from the Placing are approximately HK$63.0 million and HK$61.3 million respectively which is used for financing the acquisition of the comics business aforementioned.

EMPLOYEE INFORMATION

As at 30 June 2013, the Group had 27 employees (30 June 2012: 24). Staff costs, including directors' remuneration, amounted to approximately HK$9.2 million, including script writing fee paid to a Director for the year ended 30 June 2013 (2012: HK$7.1 million, including script writing fee and actor and executive producer fee paid to certain Directors).

The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. The Group has also adopted other employee benefit including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

CHARGE ON ASSETS

As at 30 June 2012, the Group did not pledge any assets of the Group.

As at 30 June 2013, the Group's bank deposits of HK$30.0 million were pledged to secure a general banking facility of HK$30.0 million available to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's business operations were conducted mainly in Hong Kong with transactions principally denominated in HK$, US$ and RMB. The monetary assets and liabilities are denominated mainly in HK$, US$ and RMB. Apart from HK$, which is pegged to US$, any significant exchange rate fluctuations of HK$ against RMB may have a financial impact to the Group. During the year under review, there was no significant fluctuation in the exchange rates of these currencies.

The Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its statement of financial position exposure during the year ended 30 June 2013.

CONTINGENT LIABILITIES

As at 30 June 2012 and 2013, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 30 June 2013.

CODE ON CORPORATE GOVERNANCE

Since the Company's shares were traded on the GEM on 31 October 2012 and up to 30 June 2013, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 15 of the GEM Listing Rules save as the following deviation.

Chairman and Chief Executive Officer ("CEO")

The Company has not yet adopted A.2.1 of the Code. Under the code provision A.2.1 of the Code, the roles of Chairman and CEO should be separated and would not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Mr. Wong is the Chairman of the Board and is responsible for the overall strategy planning and policy making of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contribution in Board's affairs and promoting a culture of openness and debate.

The Company has no such position as the CEO and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company from the date of the Listing of 31 October 2012 to 30 June 2013.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Altus Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 5 October 2012 effective on the date of the Listing, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 30 June 2013 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee has three members comprising three independent non-executive directors, Mr. Lam Kam Tong (Chairman of the Audit Committee), Mr. Lo Eric Tien-cheuk and Mr. Tang Kai Kui Terence, with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The final results of the Group for the year ended 30 June 2013 has been reviewed by the Audit Committee.

On behalf of the Board
Pegasus Entertainment Holdings Limited
Wong Pak Ming
Chairman

Hong Kong, 23 September 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 will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company's website at www.pegasusmovie.com.