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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)

SUBSCRIPTION OF NEW SHARES

On 24 October 2013 (after trading hours), the Subscriber and the Company entered into the Subscription Agreement pursuant to which the Subscriber has conditionally agreed to subscribe for the Subscription Shares.

The Subscription Shares represents approximately 2.13% of the issued share capital of the Company of 470,000,000 Shares as at the date of this announcement and approximately 2.08% of the issued share capital of 480,000,000 Shares as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares under the Subscription will be HK\$100,000. The Subscription Shares will be issued under the General Mandate.

The Subscription Price of HK\$0.90 represents a premium of approximately 4.65% to the benchmarked price of the Shares, which is the lower of (i) the closing price of HK\$0.86 per Share as quoted on GEM on the date of the Subscription Agreement; and (ii) the average closing price of HK\$0.866 per Share as quoted on GEM for the last five trading days prior to the date of the Subscription Agreement.

The Subscription is conditional upon the GEM Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares.

The gross proceeds from the Subscription will be HK\$9 million. The net proceeds from the Subscription will amount to approximately HK\$8.9 million which is intended to be used as the Group's general working capital. The proceeds raised per Share upon completion of the Subscription will be approximately HK\$0.89 per Subscription Share.

THE SUBSCRIPTION AGREEMENT

Date

24 October 2013 (after trading hours)

Parties

1. The Subscriber
2. The Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are third parties independent of and are not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Subscription Shares

The Subscription Shares represents approximately 2.13% of the issued share capital of the Company of 470,000,000 Shares as at the date of this announcement and approximately 2.08% of the issued share capital of 480,000,000 Shares as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares under the Subscription will be HK\$100,000.

The Subscription Shares under the Subscription will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Subscription Shares.

The Subscription Shares will be issued under the general mandate to allot, issue and deal with Shares granted to the Directors by resolutions in writing of the sole shareholder passed on 5 October 2012 subject to the limit up to 20% of the aggregate nominal value of the share capital of the Company issued share as at 30 October 2012. Under the General Mandate, the Company is authorised to issue up to 80,000,000 Shares. Up to the date of this announcement, 70,000,000 Share have been issued under the General Mandate.

Subscription Price

The Subscription Price of HK\$0.90 represents a premium of approximately 4.65% to the benchmarked price of the Shares, which is the lower of (i) the closing price of HK\$0.86 per Share as quoted on GEM on the date of the Subscription Agreement; and (ii) the average closing price of HK\$0.866 per Share as quoted on GEM for the last five trading days prior to the date of the Subscription Agreement.

The Subscription Price was negotiated on an arm's length basis between the Subscriber and the Company and was determined with reference to the prevailing market price and liquidity of the Shares and the placing price of HK\$0.90 under the placing agreement dated 19 June 2013.

The Directors consider that the terms of the Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon the GEM Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares under the Subscription.

In the event that the conditions under the Subscription Agreement are not fulfilled on or before 30 October 2013 (or such other date as may be agreed between the parties), the Subscription Agreement and all rights and obligations thereunder will cease and terminate and neither of the parties hereto will have any claim against the other for costs, damages, compensation or otherwise.

Completion of the Subscription

Completion of the Subscription will take place on the business day following the day upon which the conditions under the Subscription Agreement have been satisfied provided that the date for completion will not be later than 30 October 2013 (or such other time and/or date as the Company and the Subscriber may agree in writing).

The Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

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

The Directors consider the Subscription represents an opportunity to raise capital for the Company. The gross proceeds from the Subscription will be HK\$9 million. The net proceeds from the Subscription will amount to approximately HK\$8.9 million which is intended to be used as the Group's general working capital. The proceeds raised per Share upon completion of the Subscription will be approximately HK\$0.89 per Subscription Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising exercises in the past twelve-month period immediately before the date of this announcement:

Initial public offering

In October 2012, the Company had raised approximately HK\$73.5 million by way of an initial public offering on GEM. Set out below are the details of the intended use and actual use of proceeds up to the date of this announcement:

Intended use of proceeds	Actual use of proceeds <i>HK\$'million</i>
Up to HK\$60.0 million for the Group's film production business	26.3
Up to HK\$11.0 million for investing in post-production equipment	–
Balance of HK\$2.5 million for the Group's general working capital	2.5

The unutilised proceeds have been deposited in the Group's bank accounts located in Hong Kong.

Placing

On 6 August 2013, the Company issued and allotted 70,000,000 new Shares at a price of HK\$0.90 per Share pursuant to a placing agreement dated 19 June 2013 under the General Mandate. As disclosed in the Company's announcement dated 19 June 2013, the net proceeds from the placing of approximately HK\$61.3 million was intended to be used for financing the Group's possible acquisition of certain interests in a group of companies which is principally engaged in comic publication. Up to the date of this announcement, the net proceeds of approximately HK\$30.0 million have been utilised as a refundable deposit paid to the vendor of the acquisition and the remaining amount has been deposited in the Group's bank accounts located in Hong Kong.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company as at the date of this announcement (based on the latest available public information) and the shareholding structure of the Company immediately after completion of the Subscription are as follows:

	As at the date this announcement		Immediately upon completion of the Subscription	
	No. of Shares	Approx %	No. of Shares	Approx %
Honour Grace Limited (<i>Note</i>)	300,000,000	63.83	300,000,000	62.50
The Subscriber	—	—	10,000,000	2.08
Public Shareholders	170,000,000	36.17	170,000,000	35.42
Total	470,000,000	100.00	480,000,000	100.00

Note: Honour Grace Limited is owned as to 60% by Mr. Wong Pak Ming, the chairman and executive director of the Company, 20% by Mr. Wong Chi Woon Edmond, an executive Director, and 20% by Ms. Wong Yee Kwan Alvina, an executive Director.

GENERAL

The Subscription is not subject to Shareholders' approval as the Subscription Shares will be issued under the General Mandate. Application will be made by the Company to the GEM Listing Committee for the grant of the listing of, and permission to deal in, the Subscription Shares.

TERMS AND DEFINITIONS

“Board”	the board of Directors;
“Company”	Pegasus Entertainment Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the GEM;
“Director(s)”	director(s) of the board of the Company;
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the directors of the Company by resolutions in writing of the sole shareholder passed on 5 October 2012 subject to the limit up to 20% of the aggregate nominal value of the share capital of the Company issued share as at 30 October 2012;

“GEM”	Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of People’s Republic of China;
“Shareholder(s)”	holder(s) of the Share(s);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Land-G (Macao) Group Limited, a company incorporated under the laws of Macao;
“Subscription”	the subscription of the Subscription Shares pursuant to the terms of the Subscription Agreement;
“Subscription Agreement”	the conditional subscription agreement between the Subscriber and the Company dated 24 October 2013 in relation to the Subscription;
“Subscription Price”	HK\$0.90 per Subscription Share;
“Subscription Shares”	10,000,000 new Shares to be allotted and issued by the Company and subscribed by the Subscriber pursuant to the terms and conditions of the Subscription Agreement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 24 October 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 Announcements” 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).