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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)

PLACING OF NON-LISTED WARRANTS

Placing Agent



信達國際證券有限公司
CINDA INTERNATIONAL SECURITIES LIMITED

THE WARRANT PLACING AGREEMENT

On 13 November 2013 (after trading hours of the Stock Exchange), the Company entered into the Warrant Placing Agreement with the Placing Agent in connection with the Warrant Placing, pursuant to which the Placing Agent conditionally agreed to place, on a best effort basis, up to 96,000,000 Warrants conferring rights to subscribe for 96,000,000 Warrant Shares at the Warrant Exercise Price of HK\$0.93 per Warrant Share (subject to adjustment) to not less than six (6) Warrant Placees who and their respective ultimate beneficial owners are Independent Third Parties. Each Warrant carries the right initially to subscribe for one (1) Warrant Share.

The Warrants are to be placed at a Warrant Placing Price of HK\$0.01 per Warrant. The Warrant Placing is conditional upon several conditions as set out in the paragraph headed “Conditions of the Warrant Placing” in the section headed “The Warrant Placing Agreement” in this announcement.

The Warrant Shares to be issued upon exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Completion of the Warrant Placing is subject to the fulfillment of the conditions precedent under the Warrant Placing Agreement. As the Warrant Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE WARRANT PLACING AGREEMENT

Date

13 November 2013

Issuer

The Company

Placing Agent

Cinda International Securities Limited, being an Independent Third Party.

Placing Commission

The Placing Agent will charge the Company a fixed placing commission of HK\$150,000 plus any other out-of-pocket charges and expenses by the Placing Agent in relation to the Warrant Placing. The Warrant Placing commission was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the market rate. The Directors consider that the terms of the Warrant Placing, including the Warrant Placing commission, are fair and reasonable based on the current market conditions and the Warrant Placing is in the interests of the Company and the Shareholders as a whole.

Warrant Placees

The Warrant will be placed on a best effort basis to not less than six placees (institutional or private investor) who and whose ultimate beneficial owners are Independent Third Parties.

Number of Warrants

Up to 96,000,000 Warrants

Warrant Placing Price

The Warrant Placing Price is HK\$0.01 per Warrant

Warrant Exercise Price

HK\$0.93 per Warrant Share (subject to adjustment)

The aggregate of the Warrant Placing Price of HK\$0.01 per Warrant and the Warrant Exercise Price of HK\$0.93 per Share, i.e. HK\$0.94, represents: (i) a premium of approximately 9.3% over the closing price of HK\$0.86 per Share quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 11.9% over the average of the closing prices of HK\$0.84 per Share for the last five trading days for the Shares immediately prior to the Last Trading Day.

The Warrant Exercise Price of HK\$0.93 per Warrant Share represents: (i) a premium of approximately 8.1% over the closing price of HK\$0.86 per Share quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 10.7% over the average of the closing prices of HK\$0.84 per Share for the last five trading days for the Shares immediately prior to the Last Trading Day.

Both the Warrant Placing Price and the Warrant Exercise Price are determined based on negotiations on arm's length basis between the Company and the Placing Agent with reference to the current market sentiment and the historical Share price. The Directors consider that both the Warrant Placing Price and the Warrant Exercise Price are fair and reasonable.

Information of the Warrants

The Warrants will be issued to the Warrant Placees upon completion of the Warrant Placing in registered form and constituted by a deed poll. The Warrants will rank pari passu in all respects among themselves.

Each Warrant carries the right initially to subscribe for one (1) Warrant Share at the Warrant Exercise Price and is issued at the Warrant Placing Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of three (3) years commencing from the date immediately after the date of issue of the Warrants. The Warrant Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares of the Company.

Assuming all the Warrants are placed, a total of 96,000,000 Warrants will be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 96,000,000 Warrant Shares will be issued, representing: (i) 20% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants (assuming there being no other changes in the share capital of the Company).

Transferability

The Warrants are transferable in integral multiples of 1,000,000 Warrants. In the event of a transfer of the Warrants to a connected person (as defined in the GEM Listing Rules) of the Company, prior approval from the Company and the Stock Exchange shall be obtained. The Company undertakes to comply with the relevant GEM Listing Rules and to make necessary announcement(s), where appropriate, if and when any of the Warrant Placees make any transfer of the Warrants to other parties requiring disclosure.

Completion

Completion shall take place on the third Business Day following the satisfaction of the conditions set out below (or such later date to be agreed by the parties).

Completion of the Warrant Placing is subject to the fulfillment of the conditions precedent under the Warrant Placing Agreement. As the Warrant Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Termination of the Warrant Placing Agreement

The Warrant Placing Agreement contains provisions entitling the Placing Agent or the Company shall have the right to terminate the Warrant Placing Agreement.

If at any time prior to 9:00 a.m. on the Completion Date:

- (i) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the reasonable opinion of the Placing Agent and in its reasonable discretion may materially and adversely affect the business or financial condition or prospects of the Group as a whole; or
 - (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the reasonable opinion of the Placing Agent and in its reasonable discretion will, or may be expected to, have a material adverse effect on the Warrant Placing; or
 - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the reasonable opinion of the Placing Agent and in its reasonable discretion has or may have a material adverse effect on the Warrant Placing; or
- (ii) any breach of any of the representations, warranties and undertakings in the Warrant Placing Agreement which in the sole opinion of the Placing Agent and in its reasonable discretion is material in the context of the Warrant Placing, comes to the knowledge of

the Placing Agent or there has been a breach by the Company of any other provision of the Warrant Placing Agreement which in the reasonable opinion of the Placing Agent and in its reasonable discretion is material in the context of the Warrant Placing; or

- (iii) there is any adverse change in the business or in the financial or trading position of the Group taken as a whole which being unaware of by the Placing Agent and in the reasonable opinion of the Placing Agent and in its reasonable discretion is material in the context of the Warrant Placing; or

then and in any such case, the Placing Agent may, in its reasonable discretion, terminate the Warrant Placing Agreement without liability to the Company or any other Party by giving notice in writing to the Company, which notice may be given at any time prior to the Warrant Placing Completion Date.

If the Warrants are not fully placed by the Placing Agent, the Company may, at its sole discretion, terminate the Warrant Placing Agreement immediately without liability to the Placing Agent by giving notice in writing to the Placing Agent, which notice may be given at any time prior to 9:00 a.m. on the Completion Date.

If the Warrant Placing Agreement is so terminated, all obligations of each party under the Warrant Placing Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the Warrant Placing Agreement except for any antecedent breach of any obligation mentioned in the Warrant Placing Agreement and the payment obligation of the Company to the Placing Agent under the Warrant Placing Agreement.

Conditions of the Warrant Placing

Completion of the Warrant Placing Agreement is conditional on, among the other matters, the fulfillment of the following conditions at or before 5:00 p.m. on 12 December 2013 (or such later time and date as the Placing Agent and the Company shall agree in writing):

- (a) (if required) the listing committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Warrant Placees shall reasonably object and the satisfaction of such conditions; and
- (b) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Warrant Placees shall reasonably object) the listing of, and permission to deal in, the Warrant Shares which fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants.

The Company undertakes to and in favour of the Placing Agent to exercise its best endeavours to procure the fulfilment of the conditions specified above, including without limitation, by making all necessary applications forthwith upon the signing of the Warrant Placing Agreement and the timely supply of information to the Stock Exchange and other relevant governmental or regulatory authorities.

In the event that the above conditions are not fulfilled by 5:00 p.m. on 12 December 2013 or such later date as may be agreed between the Company and the Placing Agent, the Warrant Placing Agreement will lapse and become null and void and the parties shall be released from all obligations hereunder, save the liabilities for any antecedent breaches thereof.

Voting rights for the holders of the Warrants

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Rights of the holders of the Warrants on the liquidation of the Company

If the Company is wound up during the subscription period of the Warrants, all subscription rights attaching to the Warrants which have not been exercised shall lapse, save for in the event of a voluntary winding-up, the holders of the Warrants shall be entitled within six weeks after the passing of such a resolution approving the winding-up to exercise the subscription rights attaching to the Warrants in accordance with the terms and conditions of the Warrants.

General Mandate to issue the Warrant Shares

The Warrant Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 31 October 2013 subject to the limit of 96,000,000 Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date). The 96,000,000 Warrant Shares, to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants, will utilise 100% of the General Mandate. Accordingly the issue of the Warrant Shares does not require approval by the Shareholders at a general meeting to be convened.

As at the date of this announcement, save for the proposed issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants, the Company has not utilised the General Mandate.

Adjustment of Warrant Exercise Price

The Warrant Exercise Price shall from time to time be adjusted if and whenever there shall be an alteration to the nominal amount of each Share by reason of any consolidation or subdivision.

Given that the Warrant Exercise Price will not be adjusted save for the event of consolidation or subdivision of Shares, the maximum number of Warrant Shares which may fall to be allotted and issued pursuant to the exercise of the subscription rights attaching to the Warrants will be 96,000,000 which does not exceed the authorisation under the General Mandate.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE WARRANT PLACING

The Group is principally engaged in film production, distribution and licensing of film rights.

The Board has considered various ways of raising funds to develop its businesses and considers that the Warrant Placing represent a suitable opportunity to raise capital for the Company. In addition, the Warrants are not interest bearing and the Warrant Placing will not be resulted in any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that will be raised upon completion of the Warrant Placing, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holder of such Warrants during the subscription period.

In view of the immediate inflow of approximately HK\$700,000 upon completion of the Warrant Placing, coupled with the potential inflow of further capital upon the exercise of the subscription rights attaching to the Warrants, the Directors are of the view that the Warrant Placing provides a good opportunity to strengthen the Company's financial position and in the event the Warrant Placees fully exercise their subscription rights attaching to the Warrants, funds received may cater for future needs for its general working capital.

In view of the above, the Board considers that the terms of the Warrant Placing are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds of the Warrant Placing will amount to HK\$960,000. The net proceeds from the Warrant Placing, after the deduction of the Warrant Placing commission and other related expenses, are estimated to be approximately HK\$700,000, representing a net issue price of approximately HK\$0.0073 per Warrant. The Directors intend to apply the net proceeds as general working capital of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected approximately HK\$89.28 million will be raised. The net proceeds of approximately HK\$89.28 million (with a net subscription price of approximately HK\$0.93 per Warrant) will be used for general working capital of the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Warrant Shares to be issued upon the exercise of all Warrants, when aggregated with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issued share capital of the Company.

FUND RAISING EXERCISES BY THE COMPANY IN THE PAST TWELVE MONTHS

| Date of announcement | Event | Net proceeds (approx.) | Intended use of proceeds | Actual use of proceeds |
|----------------------|-------------------------------------------------------------------------------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 19 June 2013 | Placing of 70,000,000 new Shares at HK\$0.90 per Share | HK\$61.3 million | (i) financing a possible acquisition (the “Possible Acquisition”) of certain interests in a group of companies which is principally engaged in comic publication; (ii) in the event the Possible Acquisition does not materialize, the net proceeds will be used to strengthen the future film development or as general working capital | HK\$30.0 million has been utilised as a refundable deposit paid for the Possible Acquisition and the remaining proceeds are kept as general working capital |
| 24 October 2013 | Subscription of 10,000,000 new Shares at a subscription price of HK\$0.90 per Share | HK\$8.9 million | General working capital | General working capital |

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

Changes in shareholding structure of the Company

Assuming there being no other changes in the share capital of the Company, the changes of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon exercise of the subscription rights attaching to the Warrants in full are as follows:

| Shareholders | At the date of this announcement | | Upon exercise of the subscription rights attached to the Warrants in full | |
|--------------------------------------|----------------------------------|------------------------|---------------------------------------------------------------------------|------------------------|
| | No. of Shares | Approximate percentage | No. of Shares | Approximate percentage |
| Honour Grace Limited (<i>Note</i>) | 300,000,000 | 62.50% | 300,000,000 | 52.08% |
| The Warrant Placees | — | — | 96,000,000 | 16.67% |
| Other public Shareholders | <u>180,000,000</u> | <u>37.50%</u> | <u>180,000,000</u> | <u>31.25%</u> |
| Total | <u>480,000,000</u> | <u>100.00%</u> | <u>576,000,000</u> | <u>100.00%</u> |

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

| | |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Board” | the board of Directors |
| “Business Day” | any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| “Company” | Pegasus Entertainment Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM |
| “Director(s)” | director(s) of the Company |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “General Mandate” | the general mandate granted to the Directors to allot, issue and deal with Shares at the annual general meeting of the Company held on 31 October 2013, pursuant to which a maximum of 96,000,000 new Shares may fall to be allotted and issued as at the date of this announcement |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | The Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | independent third party(ies) which is/are not connected person(s) (as defined under the GEM Listing Rules) of the Company and is independent of the Company and its connected persons (as defined under the GEM Listing Rules) |
| “Last Trading Day” | 13 November 2013, being the last trading day for the Shares before the issue of this announcement |
| “Placing Agent” | Cinda International Securities Limited, the placing agent and a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) in Hong Kong |
| “Share(s)” | ordinary issued share(s) of HK\$0.01 each in the share capital of the Company |

| | |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Warrant(s)” | up to 96,000,000 non-listed warrants to be issued by the Company at the Warrant Placing Price, each entitles the holder thereof initially to subscribe for one Warrant Share at the Warrant Exercise Price (subject to adjustment) at any time during a period of three (3) years commencing from the date of issue of the Warrants |
| “Warrant Exercise Price” | an initial exercise price of HK\$0.93 per Warrant Share (subject to adjustment) at which holder of the Warrants may subscribe for the Warrant Share(s) |
| “Warrant Placees” | any individual(s), institutional or other professional investor(s), who are Independent Third Parties, to be procured by the Placing Agent to subscribe for any of the Warrants pursuant to the Warrant Placing Agreement |
| “Warrant Placing” | the placing, on a best effort basis, of up to 96,000,000 Warrants pursuant to the terms of the Warrant Placing Agreement |
| “Warrant Placing Agreement” | the conditional placing agreement dated 13 November 2013 and entered into between the Company and the Placing Agent in relation to the Warrant Placing |
| “Warrant Placing Completion Date” | the third Business Day following the date on which the conditions precedent set out in the Warrant Placing Agreement are fulfilled |
| “Warrant Placing Price” | HK\$0.01, being the issue price per Warrant payable in full on application under the Warrant Placing Agreement |
| “Warrant Shares” | up to 96,000,000 new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent. |

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

Hong Kong, 13 November 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).