

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Pegasus Entertainment Holdings Limited (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**REFRESHMENT OF GENERAL MANDATE
TO ISSUE NEW SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



This circular together with a form of proxy will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at <http://www.pegasusmovie.com>.

A notice convening the EGM to be held at Rooms 1801–02, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong on 24 January 2014 at 11:00 a.m. is set out on pages 17 to 19 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

This circular, 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, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

9 January 2014

CHARACTERISTICS OF GEM

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. 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.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition of certain interests in a group of companies which is principally engaged in comic publication and owns the intellectual property rights of a database of comic stories and heroes, details of which are provided in the Company’s announcement dated 13 August 2013, 27 September 2013, 15 November 2013 and 22 November 2013
“Articles”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the same meaning as defined in the GEM Listing Rules
“Board”	the board of Directors
“Company”	Pegasus Entertainment Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at Rooms 1801–02, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong on 24 January 2014 at 11:00 a.m.
“EGM Notice”	the notice convening the EGM set out on pages 17 to 19 of this circular
“Existing Mandate”	the general and unconditional mandate granted to the Directors to exercise all powers of the Company to allot, issue and deal with up to 96,000,000 Shares of the Company at the annual general meeting held on 31 October 2013
“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 and unconditional mandate to allot, issue and deal with new Shares of the Company as set out in the EGM Notice
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors of the Company
“Independent Financial Adviser”	Oriental Patron Asia Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the granting of the General Mandate
“Independent Shareholders”	Shareholders other than the controlling Shareholders and its associates (as defined in the GEM Listing Rules)
“Latest Practicable Date”	6 January 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“PRC”	People’s Republic of China
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s)”	96,000,000 non-listed warrants issued by the Company at HK\$0.01 each, each entitles the holder thereof initially to subscribe for one Warrant Share at HK\$0.93 (subject to adjustment) at any time during a period of three (3) years commencing from the date of issue of the Warrants
“Warrant Share(s)”	up to 96,000,000 new Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr Wong Pak Ming (*Chairman*)
Ms Wong Yee Kwan Alvina
Mr Wong Chi Woon Edmond

Independent Non-executive Directors:

Mr Lam Kam Tong
Mr Lo Eric Tien-cheuk
Mr Tang Kai Kui Terence

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

Rooms 1801-02
Westlands Centre
20 Westlands Road
Quarry Bay
Hong Kong

9 January 2014

To the Shareholders

Dear Sir or Madam

**REFRESHMENT OF GENERAL MANDATE
TO ISSUE NEW SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is (i) to provide you with information on the granting of the General Mandate; (ii) to set out the recommendations of the Independent Board Committee in relation to the granting of the General Mandate and the advice of Independent Financial Adviser in relation to the granting of the General Mandate; and (iii) to give you the EGM Notice at which resolution will be proposed to consider and, if thought fit, approve the granting of the General Mandate.

LETTER FROM THE BOARD

REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

The Existing Mandate was granted to the Directors to allot, issue and deal with up to 96,000,000 Shares at the annual general meeting of the Company held on 31 October 2013. On 12 December 2013, a total of 96,000,000 Warrants conferring rights to subscribe for 96,000,000 Warrant Shares were issued at HK\$0.01 each by way of placement under the Existing Mandate as set out in the Company's announcements dated 13 November 2013 and 12 December 2013. The net proceeds of the HK\$0.7 million was intended for the Group's general working capital. As at the Latest Practicable Date, the said proceeds have been fully used for the Group's general working capital. Upon exercise of the subscription rights attaching to the Warrants in full, a maximum of 96,000,000 new Shares will be issued and allotted under the Existing Mandate, representing 100% of the Existing Mandate. As at the Latest Practicable Date, none of the subscription rights attaching to the Warrants have been exercised and no Warrants Shares have been issued in this regard.

As at the Latest Practicable Date, the issued share capital of the Company consisted of 480,000,000 Shares. An ordinary resolution will be proposed to the Shareholders to approve the granting of the General Mandate to authorise the Directors to allot, issue and deal with 96,000,000 new Shares, being the number of shares not exceeding 20% of the issued share capital of the Company on the date of the EGM for passing such resolution, assuming that there being no further issue or repurchase of Shares between the Latest Practicable Date and the date of the EGM.

REASONS FOR THE REFRESHMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the production and distribution of films and television series.

The Company is considering various feasible and permissible alternatives to raise funds which will be used to strengthening the Group's future business development or as general working capital. As it is less permissible to secure debt financing which usually depends on the Group's profitability, financial position and the then prevailing market condition, the Directors consider that equity financing provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises without incurring any interest paying obligations on the Group as compared with debt financing. The Directors also consider that placing is less time-consuming than raising funds by way of rights issue or open offer. In view of the above, the Board proposes to refresh the General Mandate for the Directors to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

The Directors believe that the granting of the General Mandate to the Directors will enable the Company to have additional alternative and flexibility in raising capital for the Group in the future as and when the opportunities arise. Accordingly, the Directors consider that the granting of the General Mandate is in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, a total of 480,000,000 Shares were in issue. Subject to the passing of the proposed resolution for the refreshment of the General Mandate and on the basis that no Share would be issued or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the Company would be allowed under the General Mandate to issue a maximum of 96,000,000 new Shares.

As the refreshment of the General Mandate is prior to the next annual general meeting of the Company, the granting of the General Mandate is subject to the Independent Shareholders' approval in the EGM which will be taken on a poll.

PAST FUND RAISING ACTIVITIES

The following are the equity fund raising activities of the Company in the past twelve months:

Date of announcement	Event	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
19 June 2013	Placing of 70,000,000 Shares at HK\$0.9 per Share under general mandate	HK\$61.3 million	(i) financing the Acquisition; (ii) in the event the Acquisition does not materialize, the net proceeds will be used to strengthen the future films development or as general working capital	HK\$54.0 million has been utilised for the Acquisition and the remaining proceeds are kept as general working capital
24 October 2013	Subscription of 10,000,000 Shares at HK\$0.9 per Share under general mandate	HK\$8.9 million	General working capital	General working capital
13 November 2013	Placing of 96,000,000 non-listed Warrants at HK\$0.01 per Warrant under general mandate	HK\$0.7 million	General working capital	General working capital

LETTER FROM THE BOARD

THE EGM

The EGM Notice is set out on page 17 to page 19 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person if you so wish.

Approval from the Independent Shareholders will be sought at the EGM by way of poll for the approval of the granting of the General Mandate.

As at the Latest Practicable Date, Honour Grace Limited, the controlling Shareholder of the Company, is beneficially interested in 300,000,000 Shares, representing approximately 62.5% of the issued share capital of the Company. Pursuant to the GEM Listing Rules, Honour Grace Limited and its associates shall abstain from voting in favour at the EGM on the underlying resolution.

RECOMMENDATION

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the granting of the General Mandate and consider that the granting of the General Mandate is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Your attention is drawn to the letter of advice from Independent Financial Adviser containing its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation are set out in this circular.

The Independent Board Committee, having taken the advice of the Independent Financial Adviser into account, considers the terms of the granting of the General Mandate are fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution relating to the granting of the General Mandate. The full text of the letter from the Independent Board Committee is set out in this circular.

The Directors (including the independent non-executive Directors) are of the opinion that the granting of the General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Independent Shareholders should vote in favour of the relevant resolution to be proposed at the EGM.

Yours faithfully
On behalf of the Board
PEGASUS ENTERTAINMENT HOLDINGS LIMITED
Wong Pak Ming
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

9 January 2014

To the Independent Shareholders

Dear Sir or Madam

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in connection with the granting of the General Mandate, details of which are set out in the circular of the Company to the Shareholders dated 9 January 2014 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of the Independent Financial Adviser in relation thereto as set out in the Circular, we are of the view that the granting of the General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of the granting of the General Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the granting of the General Mandate.

Yours faithfully

Lam Kam Tong
*Independent non-executive
Director*

Lo Eric Tien-cheuk
*Independent non-executive
Director*

Tang Kai Kui Terence
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Oriental Patron Asia Limited as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the granting of the General Mandate, which has been prepared for the purpose of inclusion in this circular.



Oriental Patron Asia Limited
27/F, Two Exchange Square,
8 Connaught Place,
Hong Kong

9 January 2014

*To the Independent Board Committee and the Independent Shareholders of
Pegasus Entertainment Holdings Limited*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ISSUE NEW SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the granting of the General Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular issued by the Company to the Shareholders dated 9 January 2014 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Pursuant to Rule 17.42A of the GEM Listing Rules, the granting of the General Mandate will be subject to the approval of the Independent Shareholders at a general meeting of the Company. Any controlling Shareholders and their respective associates, or whether there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executives of the Company and their respective associates shall abstain from voting in favour of the relevant resolution approving the granting of the General Mandate. As at the Latest Practicable Date, Honour Grace Limited, the controlling Shareholder, is beneficially interested in 300,000,000 Shares, representing approximately 62.50% of the issued share capital of the Company. Accordingly, Honour Grace Limited and its associates are required to abstain from voting in favour of the proposed resolution approving the granting of the General Mandate at the EGM.

The Independent Board Committee, comprising Mr. Lam Kam Tong, Mr. Lo Eric Tien-cheuk and Mr. Tang Kai Kui Terence, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the granting of the General Mandate is in the interests of the Company and the Shareholders as a whole. We, Oriental Patron Asia Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have been advised by the Directors and/or the management of the Group that no material facts have been omitted from the information supplied and representations expressed to us. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the Latest Practicable Date. We consider that we have been provided with sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates, nor have we carried out any independent verification of the information supplied.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular 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 the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the granting of the General Mandate, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the granting of the General Mandate, we have taken the following principal factors and reasons into consideration:

(1) Background information

The Group is principally engaged in the production and distribution of films and television series.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

At the annual general meeting of the Company held on 31 October 2013 (the “AGM”), the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing Mandate to allot, issue and deal with up to 96,000,000 Shares, representing 20% of the then total issued share capital of the Company on the date of passing such resolution. Since the granting of the Existing Mandate at the AGM, there has been no refreshment of the Existing Mandate.

As set out in the announcements of the Company dated 13 November 2013 and 12 December 2013 respectively, a total of 96,000,000 Warrants conferring rights to subscribe for 96,000,000 Warrant Shares were issued at HK\$0.01 each by way of placement (the “Warrant Placing”), with the Warrant Shares to be issued upon exercise of the subscription rights attaching to the Warrants will be issued under the Existing Mandate. The Warrant Placing has been completed on 12 December 2013. Upon exercise of the subscription rights attaching to the Warrants in full, a maximum of 96,000,000 new Shares will be issued and allotted under the Existing Mandate, representing 100.00% of the Existing Mandate. As at the Latest Practicable Date, none of the subscription rights attaching to the Warrants have been exercised and no Warrant Shares have been issued in this regard.

As at the Latest Practicable Date, the Company had an aggregate of 480,000,000 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the granting of the General Mandate by the Independent Shareholders at the EGM and on the basis that no further Share (including the Warrant Shares) would be issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM, the Directors would be authorized to issue, allot and deal with up to 96,000,000 new Shares (representing 20% of the total number of Shares in issue as at the date of the EGM) under the General Mandate.

(2) Reasons for the granting of the General Mandate

Having considered that the Existing Mandate will be fully utilised for the issue of 96,000,000 Warrant Shares upon full exercise of the subscription rights attaching to the Warrants at any time during a three-year period from the date immediately after the date of issue of the Warrants (i.e. 12 December 2013) (the “Warrant Issue Date”) and in the event that the Existing Mandate is not refreshed, no additional new Shares can be further allotted and issued under the Existing Mandate. In addition, given the Company has a financial year end date on 30 June, we were advised by the Directors that the next annual general meeting of the Company, in which a resolution in respect of an unconditional general mandate to be granted to the Directors to allot, issue and deal with up to 20% of the then issued share capital of the Company will be sought from the then Shareholders, is expected not to be held until around October 2014, which is about nine months away from the Latest Practicable Date.

As set out in the Letter from the Board, the Company is considering various feasible and permissible alternatives to raise funds which will be used to strengthening the Group’s future business development or as general working capital. As it is less permissible to secure debt financing which usually depends on the Group’s profitability, financial position and the then prevailing market condition, the Directors consider that equity

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

financing provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises without incurring any interest paying obligations on the Group as compared with debt financing. The Directors also consider that placing is less time-consuming than raising funds by way of rights issue or open offer. In view of the above, the Board proposes to refresh the General Mandate for the Directors to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

As noted from annual report of the Company for the year ended 30 June 2013 (“**AR 2012/13**”) and the first quarterly report of the Company for the three months ended 30 September 2013, the Group will continue to exploring business opportunities associated with its core business so as to strengthen its revenue base and maximize the return to the shareholders and the value of the Company. As set out in the announcements of the Company dated 13 August 2013, 27 September 2013, 15 November 2013 and 22 November 2013, the Group acquired certain interests in a group of companies which is principally engaged in comic publication and owns the intellectual property rights of a database of comic stories and comic heroes. Completion of the Acquisition took place on 22 November 2013. The Directors consider that the Acquisition will not only diversify the Group’s existing business, but also bring further business opportunity to the Group with its entitlement of a first right of refusal to use the intellectual property rights of the group companies under the Acquisition (including but not limited to their comic stories and comic characters) that the Directors believe are suitable for reproduction as films. In addition, the terms of the Acquisition also provide the Company with an opportunity to increase its interests in the investment. Further, as set out in the announcements of the Company dated 27 December 2013 and 2 January 2014, the Group has rented the cinema spaces, cinema lobbies, cinema box office and other areas which situate on Levels 1, 8, 9 and 10 of Langham Place in Hong Kong (the “**Leased Premises**”) for a term of ten years commencing on 23 July 2014 and expiring on 22 July 2024 for its future operation of cinemas and related operations. The Directors believe that its commencement of operation of cinemas and related operations at the Leased Premises could provide a platform for the further development of the Group’s film distribution business with a view to broaden the Group’s revenue base and achieve better return of the Shareholders. In light of the above, the Directors envisaged that additional capital expenditure may be required for financing the existing and newly acquired business operation and facilitating the future developments of the Group.

As set out in the AR 2012/13, the Group recorded audited bank balances and cash of approximately HK\$60.0 million as at 30 June 2013. The Directors intend to apply net proceeds raised from the listing of the Shares on GEM by way of placing as described in the prospectus of the Company dated 9 October 2012 and envisage that the existing cash resources are sufficient for the Group’s daily operation. In the event that the Group identifies suitable business and/or investment opportunities and does not have sufficient cash resources on hand, and in the event that it fails to obtain loans on terms which the Directors consider acceptable to the Group or raise funds from the equity market, or it cannot find other alternatives to finance such investment opportunities in a timely manner, the Group may lose its opportunity in an otherwise favourable investment. It would be the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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duties and responsibilities of the Directors to continuously secure the best financing alternative for the Company in meeting any potential challenges and risks that likely to be imposed by the ever-changing market conditions.

In view of the above-mentioned and having considered that (i) the next annual general meeting will not be held until around October 2014, which is about nine months away from the Latest Practicable Date; and (ii) the granting of the General Mandate shall (a) ensure the Company having sufficient general mandate, if so required; (b) provide an opportunity to improve the capital base and the financial position of the Company; and (c) enable the Company to have additional alternative and flexibility to raise capital in a timely manner for its business development, potential expansion and/or investment plans in the future as and when opportunities arise, we concur with the Directors' view that the granting of the General Mandate, which may or may not be utilized, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(3) Equity fund raising activities by the Company in the past twelve months

Set out below are the equity fund raising activities conducted by the Company in the past twelve months immediately preceding the Latest Practicable Date:

Date of announcement	Description	Net proceeds (<i>approximate</i>)	Intended use of proceeds	Actual use of proceeds
13 November 2013	Placing of 96,000,000 non-listed Warrants at HK\$0.01 per Warrant under general mandate	HK\$0.7 million	For general working capital of the Group	For general working capital of the Group
24 October 2013	Subscription of 10,000,000 new Shares at HK\$0.90 per Share under general mandate	HK\$8.9 million	For general working capital of the Group	For general working capital of the Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Description	Net proceeds <i>(approximate)</i>	Intended use of proceeds	Actual use of proceeds
19 June 2013	Placing of 70,000,000 new Shares at HK\$0.90 per Share under general mandate	HK\$61.3 million	(i) For financing the Acquisition; and (ii) in the event that the Acquisition does not materialize, the net proceeds will be used to strengthen the future film development or as general working capital of the Group	HK\$54.0 million has been utilised for the Acquisition and the remaining proceeds are kept as general working capital of the Group

As confirmed by the Directors, save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

(4) Other financing alternatives

As advised by the Directors, apart from equity financing, the Directors have also considered other financing alternatives such as debt financing and bank borrowings to be other possible fund raising alternatives available to the Group as to meet its financing requirement arising from any future development of the Company. However, the Directors are of the view that debt financing may incur interest paying obligations on the Group and it may subject to lengthy due diligence and negotiations with the banks with reference to the Group's profitability, financial position and the then prevailing market condition. As for the pro rata equity financing methods such as rights issue and open offer, the Directors consider both methods generally incur substantial costs in form of underwriting commission and high documentation preparation costs and professional fees, and require substantial time. Furthermore, the Directors consider that other equity financing methods such as share placement and the issue of Shares as consideration in a transaction through the use of a general mandate is an important avenue of resources to the Group as it provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises and such ability is crucial in a competitive and rapidly changing investment environment and in times of volatile market conditions.

Having considered that the granting of the General Mandate will provide the Company with an additional financing alternative to capture any capital raising or prospective investment opportunity as and when it arises and enable the Company to maintain its financing flexibility in the selection of the best financing method for its

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

future business development and/or investment decisions in a timely manner, we are of the view that the granting of the General Mandate is in the interests of the Company and the Shareholders as a whole.

(5) Potential dilution to the shareholding of the existing public Shareholders

Set out the table depicting, for illustrative purposes, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon full utilisation of the General Mandate (assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM); and (iii) upon full utilization of the General Mandate (assuming the subscription rights attaching to the Warrants under the Warrant Placing are exercised in full before the date of the EGM and no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM):

Shareholders	As at the Latest Practicable Date		Upon full utilization of the General Mandate (assuming no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM)		Upon full utilization of the General Mandate (assuming the subscription rights attaching to the Warrants under the Warrant Placing are exercised in full before the date of the EGM and no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholder						
Honour Grace Limited (Note 1)	300,000,000	62.50	300,000,000	52.08	300,000,000	43.40
Public						
Places for the subscription rights attaching to the Warrants under the Warrant Placing (Note 2)	—	—	—	—	96,000,000	13.89
Existing public Shareholders	<u>180,000,000</u>	<u>37.50</u>	<u>180,000,000</u>	<u>31.25</u>	<u>180,000,000</u>	<u>26.04</u>
Subtotal	180,000,000	37.50	180,000,000	31.25	276,000,000	39.93
Holdings of the Shares to be issued under the General Mandate	—	—	96,000,000 (Note 3)	16.67	115,200,000 (Note 4)	16.67
Total	<u><u>480,000,000</u></u>	<u><u>100.00</u></u>	<u><u>576,000,000</u></u>	<u><u>100.00</u></u>	<u><u>691,200,000</u></u>	<u><u>100.00</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

- (1) Honour Grace Limited is owned as to 60% by Mr. Wong Pak Ming, the chairman 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.
- (2) Assuming the subscription rights attaching to the Warrants under the Warrant Placing are exercised in full before the date of the EGM, a total of 96,000,000 new Shares will be allotted and issued to the places under the Existing Mandate.
- (3) Assuming that no other Shares (including the Warrant Shares) are issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM, the granting of the General Mandate would allow the Directors to issue, allot and deal with up to 96,000,000 new Shares, representing 20% of the issued share capital of the Company as at the date of the EGM.
- (4) Assuming that the subscription rights attaching to the Warrants under the Warrant Placing are exercised in full and a total of 96,000,000 Warrant Shares are issued before the date of the EGM and no other Shares would be issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM, the granting of the General Mandate would allow the Directors to issue, allot and deal with up to 115,200,000 new Shares, representing 20% of the total issued share capital of the Company as at the date of the EGM.

As illustrated in the table above, assuming no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date and up to the date of EGM, the aggregate shareholding of the existing public Shareholders will be diluted from approximately 37.50% as at the Latest Practicable Date to approximately 31.25% upon full utilisation of the General Mandate. It is noted that the holders of the Warrants can elect to exercise (all or part of) the Warrants during a period of three (3) years commencing from the date immediately after the Warrant Issue Date. Assuming the subscription rights attaching to the Warrants under the Warrant Placing are exercised in full and a total of 96,000,000 Warrant Shares are issued before the date of the EGM and no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the aggregate shareholding of the existing public Shareholders will be further diluted to approximately 26.04% upon full utilisation of the General Mandate.

Taking into an overall account from wider perspectives that (i) the granting of the General Mandate will (a) provide an alternative means for the Company to raise capital by allotment and issue of new Shares before the next annual general meeting; and (b) offer the Company to have the flexibility in deciding the financing methods for its business development as well as other potential future investments as and when such opportunities arise; (ii) other reasons and benefits as mentioned in the above, which are in the interests of the Company and the Shareholders as a whole; and (iii) the fact that the shareholdings of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the General Mandate, we consider such potential dilution to the shareholding of the existing Shareholders to be, on balance, justifiable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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RECOMMENDATIONS

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the granting of the General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the granting of the General Mandate to be proposed at the EGM. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company when and if the General Mandate is utilised.

Yours faithfully,
For and on behalf of
Oriental Patron Asia Limited
Joseph Chan
Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Pegasus Entertainment Holdings Limited (the “Company”) will be held at Rooms 1801–02, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong on 24 January 2014 at 11:00 a.m., as a special business, to consider and, if thought fit, to pass the following resolution with or without amendments as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of the Hong Kong Limited (the “GEM Listing Rules”), the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue or otherwise deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options, including bonds and warrants to subscribe for shares of the Company, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Right Issue (as defined in paragraph (d) below); or (ii) the exercise of any options granted under all share option schemes of the Company adopted from time to time in accordance with the

NOTICE OF EXTRAORDINARY GENERAL MEETING

GEM Listing Rules; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of shares of the Company upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company shall not exceed the aggregate of:

- (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution; and
- (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution), and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolutions;

“**Right Issue**” means an offer of shares of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares of the Company open for a period fixed by the directors of the Company to holder of shares of the Company on the Company’s register of members on a fixed record date in proportion to their then holdings of shares of the Company (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any

NOTICE OF EXTRAORDINARY GENERAL MEETING

restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

By order of the Board
PEGASUS ENTERTAINMENT HOLDINGS LIMITED
Wong Pak Ming
Chairman

Hong Kong, 9 January 2014

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy need not be a member of the Company.
- (2) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or adjourned meeting.
- (5) According to Rule 17.47(4) of the GEM Listing Rules, the voting at the EGM will be taken by poll.