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Pegasus Entertainment Holdings Limited

天馬影視文化控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8039)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



On 25 August 2014 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, a maximum of 50,000,000 Placing Shares to no fewer than six Placees who and whose ultimate beneficial owners are not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

A maximum of 50,000,000 Placing Shares under the Placing represents approximately 10.42% of the issued share capital of the Company of 480,000,000 Shares as at the date of this announcement and approximately 9.43% of the issued share capital of 530,000,000 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$500,000.

The Placing Price of HK\$1.26 represents (i) a discount of approximately 8.70% to the closing price of HK\$1.38 per Shares as quoted on GEM on the date of the Placing Agreement; and (ii) a discount of approximately 6.67% to the average closing price of approximately HK\$1.35 per Share for the last five trading days immediately prior to the date of the Placing Agreement.

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

The maximum gross proceeds from the Placing will be HK\$63,000,000. The maximum net proceeds from the Placing will amount to approximately HK\$60,000,000 which is intended to be used to strengthen the Group's future film development or as general working capital. The maximum net proceeds raised per Share upon completion of the Placing will be approximately HK\$1.20 per Placing Share.

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

THE PLACING AGREEMENT

Date

25 August 2014 (after trading hours)

Parties

1. The Company
2. The Placing Agent

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent 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).

The Placing Agent has conditionally agreed to place a maximum of 50,000,000 Placing Shares on a best effort basis and will receive a placing commission of 4.765% on the gross proceeds of the actual number of Placing Shares being placed. The Directors are of the view that the placing commission is fair and reasonable.

Placing Shares

A maximum of 50,000,000 Placing Shares under the Placing represents approximately 10.42% of the issued share capital of the Company of 480,000,000 Shares as at the date of this announcement and approximately 9.43% of the issued share capital of 530,000,000 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$500,000.

The Placing Shares will be issued under the general mandate to allot, issue and deal with Shares granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 24 January 2014. The General Mandate entitles the Directors to allot, issue and deal with not exceeding 20% of the issued share capital of the Company as at the date of the extraordinary general meeting, i.e., 480,000,000. Under the General Mandate, the Company is authorised to issue up to 96,000,000 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate.

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

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 Placing Shares.

Placing Price

The Placing Price of HK\$1.26 represents (i) a discount of approximately 8.70% to the closing price of HK\$1.38 per Share as quoted on GEM on the date of the Placing Agreement; and (ii) a discount of approximately 6.67% to the average closing price of approximately HK\$1.35 per Share for the last five trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price and liquidity of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing Agreement are (i) fair and reasonable based on the current market conditions; and (ii) in the interests of the Company and the Shareholders as a whole.

Placees

The Placing Agent agreed to place the Placing Shares on a best effort basis to no fewer than six Placees (who will be independent professional, institutional or other investor), who and whose ultimate beneficial owner(s) will not be connected persons (as defined in the GEM Listing Rules) of the Company. It is not expected that any individual Placee will become a substantial Shareholder (as defined in the GEM Listing Rules) immediately after completion of the Placing. If any of the Placees becomes a substantial Shareholder (as defined in the GEM Listing Rules) after the completion of the Placing, further announcement will be made by the Company.

Conditions of the Placing Agreement

Completion of the Placing Agreement is conditional upon:

- (i) the GEM Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares under the Placing; and
- (ii) the obligations of the Placing Agent under the Placing Agreement becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

If the above conditions are not satisfied and/or waived (other than paragraph (i)) in whole or in part by the Placing Agent on or before 5:00 p.m. on 10 September 2014 or such later date to be agreed between the Company and the Placing Agent in writing, the Placing Agreement will be terminated and the Placing will not proceed and all obligations and liabilities of the parties will forthwith cease and no party will have any claims against the others (save for any antecedent breaches).

Termination and force majeure

- (i) The Placing Agent reserves its right to terminate the Placing Agreement by notice in writing prior to 9:00 a.m. on the date of completion of the Placing, if in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events (as defined below).

For this purpose, a “force majeure event” refers to

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing to potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or
 - (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.
- (ii) If, at or prior to 9:00 a.m. on the date of completion of the Placing:
- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
 - (b) any suspension in the trading of the Shares on GEM for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement; or
 - (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or

is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent hereunder shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

Completion of the Placing

Completion of the Placing will take place within two business days after the fulfillment of the conditions set out in the Placing Agreement but not later than 12 September 2014 or such later date as may be agreed between the Company and the Placing Agent.

The Placing 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 production, distribution and licensing of films and television series.

The maximum gross proceeds from the Placing will be HK\$63,000,000. The maximum net proceeds from the Placing will amount to approximately HK\$60,000,000 which is intended to be used to strengthen the Group's future film development or as general working capital. The maximum net proceeds raised per Share upon completion of the Placing will be approximately HK\$1.20 per Placing Share.

The Directors consider the Placing to be a preferred means of raising funds for the Group and believe that the Placing represents an opportunity to raise capital for the Group while broadening its Shareholder and capital base. Accordingly, the Directors are of the view that the Placing is in the best interest of the Company and its Shareholders as a whole.

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:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
24 October 2013	Subscription of 10,000,000 new Shares at a subscription price of HK\$0.90 per Share.	HK\$8,900,000	General working capital.	General working capital.
13 November 2013	Placing of 96,000,000 non-listed warrants at the issue price of HK\$0.01 per warrant. Each warrant entitles the holder thereof initially to subscribe for one new Share at an initial exercise price of HK\$0.93 per Share (subject to adjustment) at any time during a period of three years commencing from the date of issue of the warrants.	HK\$700,000 for the placing of the warrants. HK\$89,280,000 for the issue of the new Shares upon exercise of the subscription rights attaching to the warrant in full. As at the date of this announcement, no warrants have been exercised.	General working capital.	General working capital.

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 Placing (assuming the maximum number of Placing Shares are issued) are as follows:

	As at the date this announcement		Immediately upon completion of the Placing	
	<i>No. of Shares</i>	<i>Approximately %</i>	<i>No. of Shares</i>	<i>Approximately %</i>
Honour Grace Limited (<i>Note 1</i>)	300,000,000	62.50	300,000,000	56.60
Wong Pak Ming	4,180,000	0.87	4,180,000	0.79
The Placees (<i>Note 2</i>)	—	—	50,000,000	9.43
Public Shareholders	<u>175,820,000</u>	<u>36.63</u>	<u>175,820,000</u>	<u>33.18</u>
Total	<u><u>480,000,000</u></u>	<u><u>100.00</u></u>	<u><u>530,000,000</u></u>	<u><u>100.00</u></u>

Notes:

1. Honour Grace Limited is owned as to 60% by Mr. Wong Pak Ming, the chairman and executive Director, 20% by Mr. Wong Chi Woon Edmond, an executive Director, and 20% by Ms. Wong Yee Kwan Alvina, an executive Director.
2. The Placing Shares are currently expected to be placed by the Placing Agent to no less than six independent Placees assuming the maximum number of Placing Shares is placed. Upon completion of the Placing, it is expected that none of the Placees will become a substantial shareholder of the Company. Accordingly, the Shares held by the Placees are regarded as held by the public.

TERMS AND DEFINITIONS

“Board”	the board of Directors;
“Company”	Pegasus Entertainment Holdings Limited, a company incorporated in the 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;
“GEM”	Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM;
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the directors of the Company by the Shareholders in an extraordinary general meeting held on 24 January 2014;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of People’s Republic of China;
“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the provisions of the Placing Agreement;
“Placing”	the placing of a maximum of 50,000,000 new Shares pursuant to the provisions of the Placing Agreement;
“Placing Agent”	Yue Xiu Securities Company Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
“Placing Agreement”	the conditional placing agreement dated 25 August 2014 made between the Company and the Placing Agent;
“Placing Price”	HK\$1.26 per Placing Share;

“Placing Shares”	a maximum of 50,000,000 new Shares to be allotted and issued by the Company and placed pursuant to the Placing Agreement;
“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;
“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, 25 August 2014

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

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

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