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

PEGASUS MOTION PICTURES
天馬電影

Third Quarterly Report **2012/2013**

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

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This report, for which the directors (the "Directors") of Pegasus Entertainment Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Highlights

- The Group (as defined below) reported a profit attributable to owners of the Company of approximately HK$6.1 million and HK$0.2 million for the three months and nine months ended 31 March 2013 respectively.

- The Group's revenue was HK$56.1 million for the nine months ended 31 March 2013.

- Gross profit margin for the nine months ended 31 March 2013 was approximately 51.1%, which translates into gross profit of HK$28.7 million.

- The Group's net assets and net current assets as at 31 March 2013 reached HK$175.0 million and HK$143.0 million respectively.

- The Board (as defined below) does not recommend the payment of any dividend for the nine months ended 31 March 2013.

Unaudited Third Quarterly Results

For the nine months ended 31 March 2013

The Board of Directors of the Company (the "Board") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31 March 2013 together with the comparative unaudited figures for the corresponding period in 2012 as follows:

Consolidated Statement of Comprehensive Income

For the nine months ended 31 March 2013

		Three months ended 31 March		Nine months ended 31 March	
		2013	2012	**2013**	2012
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	3	**38,754**	68,064	**56,082**	125,714
Cost of sales		**(20,097)**	(37,918)	**(27,432)**	(75,847)
Gross profit		**18,657**	30,146	**28,650**	49,867
Other income and gain	4	**17**	236	**78**	2,700
Selling and distribution expenses		**(7,594)**	(9,815)	**(12,362)**	(15,891)
Administrative expenses		**(4,121)**	(2,218)	**(11,498)**	(5,666)
Finance costs	5	**(18)**	(332)	**(53)**	(453)
Other expenses		**–**	(4,284)	**(3,805)**	(4,284)
Profit before tax		**6,941**	13,733	**1,010**	26,273
Income tax expense	6	**(804)**	(3,710)	**(804)**	(5,550)
Profit and total comprehensive income for the period attributable to owners of the Company		**6,137**	10,023	**206**	20,723
Earnings per share					
Basic (HK cents)	7	**1.5**	3.4	**0.1**	7.0

Consolidated Statement of Changes in Equity

For the nine months ended 31 March 2013

	Attributable to owners of the Company				
	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Other reserve * HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 July 2011 (audited)	10	–	–	20,100	20,110
Profit and total comprehensive income for the period	–	–	–	20,723	20,723
At 31 March 2012 (unaudited)	10	–	–	40,823	40,833
At 1 July 2012 (audited)	**10**	**–**	**–**	**41,081**	**41,091**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**206**	**206**
Arising from the Reorganisation (as defined below)	**(10)**	**–**	**10**	**–**	**–**
Issue of shares upon the capitalisation issues	**3,000**	**47,000**	**–**	**–**	**50,000**
Issue of shares upon the Listing (as defined below)	**1,000**	**82,685**	**–**	**–**	**83,685**
At 31 March 2013 (unaudited)	**4,000**	**129,685**	**10**	**41,287**	**174,982**

* Other reserve represents the difference between the aggregate nominal value of the respective share capital of the companies now comprising the subsidiaries of the Company pursuant to the Reorganisation (as defined below) over the nominal value of the shares of the Company issued in exchange thereof.

Notes to the Quarterly Results

1. General information and reorganisation

1.1 General information

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

The shares of the Company were listed on GEM of the Stock Exchange on 31 October 2012. The Company is an investment holding company. The Group is principally engaged in film production, distribution and licensing of film rights.

1.2 Reorganisation

Under a group reorganisation exercise (the "Reorganisation") on 5 October 2012 to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM of the Stock Exchange (the "Listing"), the Company became the holding company of the companies now comprising the Group.

Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in Appendix IV to the prospectus dated 9 October 2012 issued by the Company (the "Prospectus").

The Reorganisation involved business combinations of entities under common control. Accordingly, the unaudited consolidated financial statements for the nine months ended 31 March 2013 (the "Third Quarterly Financial Statements") and the related notes thereto have been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). On this basis, the Third Quarterly Financial Statements, including comparative figures, are presented as if the current group structure had been in existence throughout the nine months ended 31 March 2012 and 2013, or since the respective dates of incorporation of entities under common control, where this is a shorter period.

2. Basis of preparation

The Third Quarterly Financial Statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and applicable disclosure requirements of Chapter 18 to the GEM Listing Rules.

The Third Quarterly Financial Statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of the Third Quarterly Financial Statements are consistent with those used in the annual combined financial statements for the year ended 30 June 2012 except in relation to the new and revised HKFRSs, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the Third Quarterly Financial Statements.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective, the Group is in the process of accessing their impact on the Group's results and financial position.

The Third Quarterly Financial Statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

3. Revenue

	Three months ended 31 March		Nine months ended 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Film production, distribution and licensing income	**37,789**	67,656	**54,360**	124,259
Advertising income	**242**	388	**453**	623
Service income	**723**	20	**1,269**	832
	38,754	68,064	**56,082**	125,714

4. Other income and gain

	Three months ended 31 March		Nine months ended 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Bank interest income	**17**	27	**78**	50
Interest income from loan receivable from a related company	**–**	–	**–**	31
Net exchange gain	**–**	209	**–**	1,970
Income from making-of	**–**	–	**–**	649
	17	236	**78**	2,700

5. Finance costs

	Three months ended 31 March		Nine months ended 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest on bank borrowings wholly repayable within five years	**–**	34	**35**	111
Interest on bank overdraft	**18**	–	**18**	5
Interest on advances from a director and a related company	**–**	–	**–**	39
Effective interest expense on a loan financing	**–**	298	**–**	522
	18	332	**53**	677
Less: Interest capitalised in film production in progress	**–**	–	**–**	(224)
	18	332	**53**	453

Borrowing cost capitalised during the prior period arose from a loan financing that was used to finance the production of a specific film.

6. Income tax expense

	Three months ended 31 March		Nine months ended 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
Hong Kong	**521**	3,710	**521**	5,550
People's Republic of China ("PRC")	**283**	–	**283**	–
	804	3,710	**804**	5,550

Hong Kong Profits Tax has been provided for at 16.5% (2012: 16.5%) on the estimated assessable profits for the three months and nine months ended 31 March 2012 and 2013.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards. PRC Enterprise Income Tax has been provided for on the estimated assessable profits arising from the PRC subsidiary for the three months and nine months ended 31 March 2013. The PRC subsidiary had incurred loss for the three months and nine months ended 31 March 2012 and no provision for PRC Enterprise Income Tax was made during these periods.

7. Earnings per share

The calculation of the basic earnings per share attributable to owners of the Company for the three months and nine months ended 31 March 2012 and 2013 is based on the following data:

	Three months ended 31 March		Nine months ended 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings				
Profit for the period attributable to owner of the Company for the purposes of basic earnings per share	**6,137**	10,023	**206**	20,723
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000,000**	297,029,703	**354,151,912**	297,029,703

The number of ordinary shares for the purpose of calculating basic earnings per share for the nine months ended 31 March 2013 and for the three months and nine months ended 31 March 2012 has been adjusted for the effect of the Reorganisation and the capitalisation issue in preparation for the Listing.

In addition to the above, the number of ordinary shares for the purpose of calculating basic earnings per share for the nine months ended 31 March 2013 has also been adjusted for the effect of the loan capitalisation issue of which the Directors were authorised to capitalise a loan due from the Company to Mr. Wong Pak Ming ("Mr. Wong"), a director of the Company, in an aggregate sum of HK$50,000,000 by the allotment and issue of 100 ordinary shares of the Company to Honour Grace (at the direction of Mr. Wong) at an aggregate subscription price of HK$50,000,000 and the issuance of 100,000,000 ordinary shares pursuant to the placing of the Company's share upon the Listing.

No diluted earnings per share is presented for the three months and nine months ended 31 March 2012 and 2013 as there were no potential ordinary shares outstanding.

Dividend

The Board does not recommend the payment of any interim dividend for the nine months ended 31 March 2013 (2012: Nil).

Management Discussion and Analysis

Business review

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

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

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

The Group released two films, namely "Love is... Pyjamas" (男人如衣服) and "Hotel Deluxe" (百星酒店), during the nine months ended 31 March 2013 and two films, namely "Magic To Win" (開心魔法) and "All's Well End's Well 2012" (八星抱喜), during the corresponding period in 2012. During the period under review, the Group invested in an international film to be produced for worldwide theatrical distribution and a PRC TV programme produced for distribution and broadcasting in the PRC and Hong Kong. As disclosed in the Prospectus, due to the limited number of films distributed by the Group, the scale, schedule of release and the result of one film could have significant impact on the Group's results. Given the distinctive business model of the Group, the Group's quarterly and interim financial results may not be indicative of the Group's financial results of a full year and the Group's financial performance would fluctuate from period to period.

The financial position and liquidity of the Group remain solid and healthy and there is no material adverse change in the operations of the Group.

Financial review

Revenue

Revenue and gross profit of the Group were approximately HK$56.1 million and HK$28.7 million respectively for the nine months ended 31 March 2013, representing decreases of approximately HK$69.6 million or 55.4% and HK$21.2 million or 42.5% respectively compared to the same period of the previous financial year. This was mainly due to (i) the films released during the period under review, are of comparatively smaller scale to those released in the corresponding period in 2012; and (ii) as "Love is... Pyjamas" (男人如衣服) is jointly controlled by the Group and the PRC co-producer, the Group recognises revenue based on the income and expenses derived in respect of the Group's share of the distribution rights. Gross profit margin for the nine months ended 31 March 2013 was approximately 51.1%, which was an improvement from that of approximately 39.7% for the corresponding period in 2012. This was mainly due to the significant decrease in cost of sales contributed by the Group's implementation of stricter control over the film production budget and progress.

Other income and gain

Other income and gain was approximately HK$78,000 for the nine months ended 31 March 2013, representing a decrease of approximately HK$2.6 million or 97.1% compared to the same period of the previous financial year. This is mainly due to the net exchange gain of approximately HK$2.0 million recorded in the previous period for the appreciation of Renminbi ("RMB") against HK$ when we settled the film production expenses incurred during the shooting of "Saving General Yang" (忠烈楊家將) in the PRC at the prevailing transaction rate, whilst no such gain was recognised for the nine months ended 31 March 2013. In addition, no income from making-of was recorded during the period under review as the Group focused on its core business of film production.

During the same period in the previous financial year, the Group granted a loan to a related party, Pegasus Laboratory (International) Limited and received interest income. The loan has been settled during the nine months ended 31 March 2012 and no such loan was granted during the nine months ended 31 March 2013.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately HK$3.5 million or 22.2% from approximately HK$15.9 million for the nine months ended 31 March 2012 to approximately HK$12.4 million for the nine months ended 31 March 2013. This was mainly due to (i) the decrease of costs related to advertising and promotion events as the films released during the period under review are of smaller scale than the films released during in the corresponding period in 2012; and (ii) decrease of processing costs related to the digitalisation of film exhibition in Hong Kong.

Administrative expenses

Administrative expenses increased by approximately HK$5.8 million or 102.9% from approximately HK$5.7 million for the nine months ended 31 March 2012 to approximately HK$11.5 million for the nine months ended 31 March 2013. This was mainly due to the increase of the total staff costs by approximately HK$3.5 million as a result of (a) a change of arrangement to the directors' remuneration structure in respect of the Listing, as disclosed in the Prospectus; and (b) the average number of employees increasing from 18 for the nine months ended 31 March 2012 to 27 for the nine months ended 31 March 2013 as well as the increase of expenses by approximately HK$2.1 million in relation to corporate promotion and marketing expenses, other professional fees paid to compliance adviser, lawyers and other professional parties for providing professional services since the Listing.

Other expenses

During the nine months ended 31 March 2012 and 2013, other expenses represented the professional fees and expenses directly relating to the Listing.

Income tax expense

The income tax expense of the Group during the nine months ended 31 March 2013 amounted to approximately HK$0.8 million (2012: HK$5.6 million) at the effective tax rate of 79.6% (2012: 21.1%). The significant increase in effective tax rate during the period under review was mainly due to the non-tax-deductible nature of certain expenses directly relating to the Listing and the estimated assessable profit for the period under review being less than that during the corresponding period in 2012.

Profit for the period

The Group's profit and total comprehensive income attributable to owners of the Company for the nine months ended 31 March 2013 amounted to approximately HK$0.2 million (2012: HK$20.7 million). The decrease of profit for the period under review compared to the corresponding period in 2012 was primarily a result of the decrease in gross profit, other income and gain as well as an increase in administrative expenses, which countered the decrease of selling and distribution expenses and income tax expense as aforementioned.

Outlook

During the first nine months of the financial year 2012/13, the Group has continued to carry out its business plan as disclosed in the Prospectus. The PRC continues to be our major market and co-production arrangement remains an expedient way for us to gain access to the PRC film market. Followed by a notable annual growth of the PRC total box office receipts of 30.5% during the year of 2012, the PRC total box office receipts further recorded an increase from RMB3.7 billion in the first quarter of 2012 to RMB5.2 billion in the first quarter of 2013, representing a period to period growth of 40.5% during the first quarter of 2013. Due to the continued growth of the PRC film industry as well as the encouragement of the PRC Government to the film industry from its issuance of guidelines on promoting the development of the film industry and implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement, we believe that the outlook for the PRC film industry to be positive and encouraging to industry participants.

Having established a presence in the PRC film market, we have been well positioned to capture these prospects and the rapid development of the PRC film market and will further develop the source of income by expanding our production capacities and the range of films in various genres to be produced.

The Group recorded a profit of approximately HK$6.1 million for the third quarter of the financial year 2012/13 compare to a loss of approximately HK$5.9 million for the first half of the financial year 2012/13. This was mainly attributable to the release of "Hotel Deluxe" (百星酒店), our well-known comedy series for Chinese New Year, and no recognition of one-off expenses relating to the Listing. Our first large-scale film "Saving General Yang" (忠烈楊家將), which is directed by Ronny Yu, a renowned Hollywood film director, with total investment over RMB100 million, has been released in April 2013. Our 3-D thriller film, "Baby Blues" (詭眼), is currently in post-production and depending on availability in the cinema circuits' screening schedules, is expected to be released within the financial year 2012/13. We believe that the release of such films will contribute considerably to the Group's results for the last quarter of the financial year 2012/13.

The Group has taken an important step in expanding our film related business activities during the third quarter of the financial year 2012/13. As disclosed in our announcement on 28 January 2013, the Group has entered into a provisional agreement with a film production company in relation to an investment in an international film, which is to be produced for worldwide theatrical distribution. This investment is an excellent opportunity for the Group to participate in a Hollywood blockbuster production whilst providing a platform for the introduction of the Group's brand name to the international film market, thereby broadening the Group's scope beyond the Chinese film market. The film is currently under pre-production and the progress is as scheduled as at the date of this report. The film production company has advised us that the promotion and pre-sale of the film will commence in the Festival de Cannes this month.

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

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 March 2013, the interests of Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares and underlying shares of the Company

Name of director	Nature of interest	Number of shares	Position	Percentage of the Company's issued share capital
Mr. Wong	Interest in a controlled corporation	300,000,000 (Note)	Long	75%

Note: These shares are registered in the name of Honour Grace, the entire issued share capital of which is legally and beneficially owned as to 60% by Mr. Wong, 20% by Mr. Wong Chi Woon Edmond and 20% by Ms. Wong Yee Kwan Alvina. Under the SFO, Mr. Wong is deemed to be interested in all the shares registered in the name of Honour Grace.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31 March 2013, the interest of the persons, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Name of shareholder	Nature of interest	Number of shares	Position	Percentage of the Company's issued share capital
Honour Grace	Beneficial owner	300,000,000	Long	75%
Ms. Zee Ven Chu Lydia (Note)	Interest in a controlled corporation	300,000,000	Long	75%

Note: Ms. Zee Ven Chu Lydia, spouse of Mr. Wong, is deemed under the SFO to be interested in all the shares in which Mr. Wong is deemed to be interested.

Save as disclosed above, as at 31 March 2013, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. The Scheme has been approved by the then sole shareholder on 5 October 2012. No share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 March 2013.

Rights to Acquire Shares or Debentures

Other than those disclosed under the sections "Share Option Scheme" and "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the nine months ended 31 March 2013 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests in Competing Business

None of the Directors or the controlling shareholders of the Company or their respective associates as defined in the GEM Listing Rules has any interest in any business which competes or may compete with the business of the Group during the period under review.

Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the nine months ended 31 March 2013.

Compliance with the Required Standard of Dealings in Securities Transactions by Directors of Listed Issuers

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquires of all the Directors, all the Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the period from the commencement of trading in shares of the Company on the GEM on 31 October 2012 to 31 March 2013.

Code on Corporate Governance Practices

Since the Company's shares were traded on the GEM on 31 October 2012 and up to 31 March 2013, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

Interests of the Compliance Adviser

As notified by the Company's compliance adviser, Altus Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 5 October 2012 effective on the date of the Listing, neither the Compliance Adviser nor its directors, employees or associates had any interests in relation to the Company as at 31 March 2013 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Audit Committee

The Audit Committee has three members comprising three independent non-executive Directors, Mr. Lam Kam Tong (Chairman of the Audit Committee), Mr. Lo Eric Tien-cheuk and Mr. Tang Kai Kui Terence, with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The unaudited third quarterly results of the Group for the nine months ended 31 March 2013 has been reviewed by the Audit Committee.

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

Hong Kong, 10 May 2013

As at the date of this report, 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.