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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: 1326)

SUPPLEMENTARY ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

Reference is made to the annual report for the year ended 30 June 2014 of Pegasus Entertainment Holdings Limited (the “**Company**”) published on 18 September 2014 (the “**Annual Report**”), the circular dated 9 January 2014 (the “**Circular**”) and the Company’s announcements dated 19 June 2013, 6 August 2013, 24 October 2013, 13 November 2013 and 12 December 2013 (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement, unless a contrary intention appears, shall have their respective meanings as contained in the Annual Report, the Circular and the Announcements.

In addition to the information set out under the sections headed “Management Discussion and Analysis” and “Report of the Directors” of the Annual Report as well as note 28 on “Notes to the Consolidated Financial Statements” of the Annual Report as required under Rule 18.32 of the GEM Listing Rules (as the Group was only transferred to list on Main Board since 9 January 2015, the GEM Listing Rules was still applicable for the Annual Report), the Board would like to provide the following supplementary information to the Annual Report in relation to the Placing, the Subscription and the Warrant Placing (collectively, the “**Fund Raising Activities**”) prescribed under the GEM Listing Rules. For the avoidance of doubt, the Company would like to clarify that such information and further details of the Fund Raising Activities had been provided in the Circular and the Announcements:

1. PLACING OF NEW SHARES

On 6 August 2013, the placing of 70,000,000 Placing Shares of the Company to not less than six places at a price of HK\$0.90 per Placing Share was completed. The Placing Shares were issued under the general mandate granted to the Directors by resolutions in writing of the sole shareholder passed on 5 October 2012 (the “**2012**

General Mandate”). The Directors consider that the Placing was 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. The Placing represented approximately 14.89% of the then issued share capital of 470,000,000 Shares immediately after and as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing was HK\$700,000.

The Placing Shares had been placed to no less than six placees, being independent professional, institutional or other investor(s), who and whose ultimate beneficial owners were third parties independent of and not connected with the Company and its connected person (as defined in the GEM Listing Rules).

The Placing Price of HK\$0.90 represented a premium of approximately 2.74% to the benchmarked price of the Shares, which was the lower of (i) the closing price of HK\$0.88 per Share as quoted on GEM on 19 June 2013, being the date of the Placing Agreement; and (ii) the average closing price of HK\$0.876 per Share as quoted on GEM for the last five trading days prior to 19 June 2013. The net placing price for the Placing was approximately HK\$0.876 per Placing Share.

As disclosed in the announcement dated 19 June 2013, the Company intended to apply the proceeds from the Placing to finance the possible acquisition of 40% equity interest in Jade Dynasty Holdings Limited (the “**Then Possible Acquisition**”) and in the event that the Then Possible Acquisition does not materialise, the net proceeds would be used to strengthen the Group’s future film development or as general working capital. The proceeds had been fully applied in accordance with the intended use as described in the announcement. As at 30 June 2014, approximately HK\$54 million of the net proceeds has been utilised to finance the Then Possible Acquisition, which was completed on 22 November 2013, with the remaining proceeds of approximately HK\$7,300,000 being utilised as general working capital.

Please refer to the Company’s announcements dated 19 June 2013 and 6 August 2013 for further details of the Placing.

2. SUBSCRIPTION OF NEW SHARES

On 30 October 2013, the subscription of 10,000,000 new Shares by the Subscriber at a Subscription Price of HK\$0.90 per Subscription Share under the 2012 General Mandate was completed. The Directors consider the Subscription represents an opportunity to raise capital for the Company. The Subscription Shares represented approximately 2.08% of the issued share capital of 480,000,000 Shares immediately after and as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares under the Subscription was HK\$100,000.

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

The Subscription Price of HK\$0.90 represents a premium of approximately 4.65% to the benchmarked price of the Shares, which was the lower of (i) the closing price of HK\$0.86 per share as quoted on GEM on 24 October 2013, being the date of the Subscription Agreement; and (ii) the average closing price of HK\$0.866 per share as quoted on GEM for the last five trading days prior to 24 October 2013. The net subscription price for the Subscription was approximately HK\$0.89 per Subscription Share.

The net proceeds from the Subscription amounted to approximately HK\$8.9 million and was intended to be used as the Group's general working capital as disclosed in the announcement dated 24 October 2013. As at 30 June 2014, the Company had fully utilised the net proceeds from the Subscription as general working capital.

Please refer to the Company's announcement dated 24 October 2013 for further details of the Subscription.

3. PLACING OF NON-LISTED WARRANTS

On 12 December 2013, the placing of 96,000,000 Warrants of the Company to twelve placees at an issue price of HK\$0.01 per Warrant was completed. The placees are individual investors and third parties independent of and not connected with the Company and its connected person (as defined in the GEM Listing Rules). The Board had considered various ways of raising funds to develop its businesses and considers that the Warrant Placing represent a suitable opportunity to raise capital for the Company as the Warrants are not interest bearing and the Warrant Placing will not result in any immediate dilution on the shareholding of the then existing Shareholders. In addition to the net proceeds that will be raised upon completion of the Warrant Placing, further capital will be raised upon the exercise of the subscription rights attaching to the Warrants by the holder of such Warrants during the subscription period.

Upon full exercise of the subscription rights attaching to the Warrants, a total of 96,000,000 Warrant Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 31 October 2013, representing: (i) 20% of the issued share capital of the Company as at 13 November 2013, being the date of the Warrant Placing Agreement; and (ii) approximately 16.67% of the then issued share capital of the Company of 576,000,000 Shares immediately after and as enlarged by the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants (assuming there being no other changes in the share capital of the Company).

The aggregate of the Warrant Placing Price of HK\$0.01 per Warrant and the Warrant Exercise Price of HK\$0.93 per Share, i.e. HK\$0.94, represents: (i) a premium of approximately 9.3% over the closing price of HK\$0.86 per Share quoted on 13 November 2013; and (ii) a premium of approximately 11.9% over the average of the closing prices of HK\$0.84 per Share for the last five trading days for the Shares immediately prior to 13 November 2013.

The net proceeds from the Warrant Placing, after the deduction of the Warrant Placing commission and other related expenses, was approximately HK\$700,000 (representing a net issue price of approximately HK\$0.0073 per Warrant). As disclosed in the

announcement of the Company dated 13 November 2013, the Company intended to use the net proceeds as general working capital of the Group and as at 30 June 2014, the Company had fully utilised the net proceeds as intended.

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected that approximately HK\$89.28 million will be raised (with a net subscription price of approximately HK\$0.93 per Warrant Share) and such net proceeds will be used for general working capital of the Group. During the year ended 30 June 2014, there was no exercise of Warrants.

Please refer to the Company's announcements dated 13 November 2013 and 12 December 2013 for further details of the Warrant Placing.

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

Hong Kong, 26 January 2015

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.