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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)**

### **INSIDE INFORMATION**

This announcement is made by the Company pursuant to the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and Rule 17.10 of the GEM Listing Rules.

The Board wishes to announce that on 4 November 2013, the Company and the Tenant received the Offer to Lease from the Landlord confirming the lease arrangement in relation to the Leased Premises situated at Langham Place, Argyle Street, Kowloon, Hong Kong. Set out below are the major terms of the Offer to Lease.

#### **OFFER TO LEASE**

##### **Date**

1 November 2013

##### **Parties involved**

1. The Tenant, as tenant, a wholly-owned subsidiary of the Company.
2. The Company, as guarantor.
3. The Landlord, as landlord.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Landlord and its ultimate shareholders are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

The Company has agreed to guarantee the full, complete and due performance of the terms of the Offer to Lease by the Tenant and to procure the Tenant to comply with the terms of the Offer to Lease.

## **Leased Premises**

The Leased Premises is situated on Levels 1, 8, 9 and 10 of Langham Place, 8 Argyle Street, Kowloon, Hong Kong.

## **Term of lease**

The lease of the Leased Premises is for a term of ten years commencing on 23 July 2014 and expiring on 22 July 2024.

## **Rent and other charges**

The Tenant shall pay rent and other charges every calendar month. The rent of the Leased Premises comprises the base rent and turnover rent on the cinema and related operations carried at the Leased Premises.

### *Box Office Takings and Merchandize Takings*

The Tenant shall pay the base rent in respect of Box Office Takings and Merchandize Takings every month in advance on the first day of each and every calendar month according to the payment schedule set out in the Offer to Lease.

In each calendar month the Tenant shall pay the amount (if any) by which the sum of a specified percentage of the Box Office Takings and a specified percentage of the Merchandize Takings exceeds the base rent on a monthly basis. The turnover rent in respect of Box Office Takings and Merchandize Takings which is subject to adjustments as provided in the Offer to Lease shall be paid in arrears by the Tenant for each calendar month in question on or before the 15th day of the immediately following month.

### *Concession Takings*

In each calendar month the Tenant shall pay a turnover rent in respect of Concession Takings which is equivalent to a specified percentage of Concession Takings on a monthly basis. The turnover rent in respect of Concession Takings shall be paid in arrears by the Tenant for each calendar month in question on or before the 15th day of the immediately following month.

### *Screen Advertising Takings*

In each calendar month the Tenant shall pay a turnover rent in respect of Screen Advertising Takings equivalent to a specified percentage of Screen Advertising Takings. The turnover rent in respect of Screen Advertising Takings shall be paid in arrears by the Tenant for each calendar month in question on or before the 15th day of the immediately following month.

### *Other charges*

Apart from the rent, the Tenant shall also pay the management charges and promotional levy per calendar month in advance on the first day of each and every calendar month and the government rates.

## **Rent-free period**

The Tenant shall be entitled to a rent-free period relating to the base rent of the Box Office Takings and Merchandize Takings of four months commencing from 23 July 2014.

## **Deposit**

The Tenant has paid a deposit in a sum equivalent to the aggregate of three months' based rent for the tenth year, three months' management charges for the first year, three months' promotional levy for the first year and one quarter's government rates in respect of the Lease Premises.

## **Formal agreements**

The Tenant, the Company and the Landlord have agreed to sign a lease agreement and a guarantee of indemnity incorporating the details of the Leased Premises, term, rent and other charges contained in the Offer to Lease as well as the standard terms in respect of the lease arrangement.

## **REASONS FOR ENTERING THE OFFER TO LEASE**

The Group is principally engaged in film production, distribution and licensing of film rights. The Company is optimistic about the future of the film industry in Hong Kong. The Board believes that quality films will continue to attract movie goers and movie viewing will continue to be one of the more popular leisure activities for the general public in Hong Kong. The Board further believes that (a) the Leased Premises could provide a platform for the further development of the Group's film distribution business, and (b) the long term lease would allow the Group to lock in the prime location in which the Leased Premises is situated and to secure the return of the initial set up cost to the cinema and related operations and to have stable revenue stream and cash inflow attributable to the Group. Hence, the Board is of the view that the Offer to Lease is in the interests of the Group as a whole.

## **IMPLICATION OF THE GEM LISTING RULES**

The GEM Listing Rules provides that any transaction of a revenue nature in the ordinary and usual course of business of a listed issuer will be exempt from the requirements of Chapter 19 of the GEM Listing Rules. Considering that (a) the ordinary and usual course of business of the Group includes film distribution, (b) the rent and other charges payable by the Group under the Offer to Lease will be recorded as an expense under the accounting treatment of an operating lease in accordance with the applicable accounting standard adopted by the Group, and (c) comparing the annual rent and other charges payable under the Offer to Lease and the revenue of the Group as stated in the latest published accounts of the Group, the entering into of the Offer to Lease does not have a significant impact on the existing business operations of the Group, the transaction contemplated under the Offer to Lease by the Group is exempt from the disclosure requirements of Chapter 19 of the GEM Listing Rules.

## DEFINITIONS

“Board”	the board of Directors;
“Box Office Takings”	gross proceeds received or receivable of the sale of tickets for the cinema operated at the Leased Premises;
“Company”	Pegasus Entertainment Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on the GEM;
“Concession Takings”	gross proceeds received or receivable by the Tenant in respect of the sale of food, beverages and confectionery;
“Director(s)”	director(s) of the board of the Company;
“GEM”	Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of People’s Republic of China;
“Landlord”	Renaissance City Development Company Limited;
“Leased Premises”	cinema spaces, cinema lobbies, toilets, projection room, cinema box office, concession area together with ancillary staircases and passenger lifts;
“Merchandise Takings”	gross proceeds received or receivable of the sale of movie-related promotional items and or any other items approved by the Landlord at the Leased Premises;
“Offer to Lease”	the offer to lease made between the Tenant, the Company and the Landlord;
“Screen Advertising Takings”	gross proceeds received or receivable of the advertising shown on the screens in the cinemas at the Leased Premises, staging of gala premier, conference, concerts, charity performance approved by the Landlord and any other income generated from or at the Leased Premises;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenant”	Pegasus Motion Pictures Investment Limited, a wholly-owned subsidiary of the Company; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

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

Hong Kong, 4 November 2013

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

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

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