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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)

ACCOUNTING TREATMENT ON A LEASE AGREEMENT

Pegasus Entertainment Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to provide an update on the lease agreement (the “**Lease Agreement**”) dated 27 December 2013 in relation to cinema spaces, cinema lobbies, projection room and cinema box office situated in Langham Place, 8 Argyle Street, Kowloon, Hong Kong (the “**Leased Premises**”). For details of the Lease Agreement, please refer to the Company’s announcement dated 27 December 2013.

The Group took possession of the Leased Premises in July 2014. As disclosed in the Company’s announcement dated 18 September 2014 in relation to the final results for the year ended 30 June 2014, based on the current status of the renovation work, it is expected that the cinema at Langham Place will commence operation in the fourth quarter of 2014.

According to the Lease Agreement, a rent-free period of four months commencing from 23 July 2014 was offered by the landlord as compensation for the renovation period during which the cinema is not in operation. In light of the accounting principles, practices and policies adopted by the Group under the applicable accounting standards, such incentive provided by the landlord will be treated as a uniform reduction of rental expenses (that is, on a straight-line basis over the lease term). With the lease term having commenced on 23 July 2014, rental expenses will be immediately recognised under the abovementioned accounting treatment. In the meantime, revenue will only be generated after the cinema commences operation in the fourth quarter of 2014 (expected date). As such, it is expected that the Group’s first quarter and interim results as well as the full financial results of the Group’s film exhibition business for the year ending 30 June 2015 may be adversely affected. The board of directors of the Company is of the view that the accounting treatment in respect of the rent-free period will not have any material adverse effect on the business operation and financial position of the Group.

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

Hong Kong, 23 September 2014

*As at the date of this announcement, the executive directors of the Company (the “**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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 or deceptive; (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) for at least seven days from the date of its posting and on the Company’s website (www.pegasusmovie.com).