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)

CONNECTED TRANSACTION

The Board is pleased to announce that on 13 March 2015 (after trading hours), Pegasus (HK), an indirect wholly-owned subsidiary of the Company, entered into a Guarantee in favour of the Landlord as a condition to enable the Joint Venture Company, which is owned as to 60% by Pegasus (Beijing) and as to 40% by Lander Investment Limited, to rent the Leased Premises for a term of fifteen years commencing from the Date of Possession, provided that the maximum liability under the Guarantee will not exceed approximately RMB5.9 million (equivalent to approximately HK$7.4 million).

Given that Pegasus (Beijing) is an indirect wholly-owned subsidiary of the Company and that the Joint Venture Company is directly owned as to 60% by Pegasus (Beijing), the Joint Venture Company is a Connected Person of the Company. Accordingly, the provision of the financial assistance by the Group to the Joint Venture Company in the form of a guarantee constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Guarantee are less than 25% and the total consideration is less than HK$10.0 million, the transaction contemplated under the Guarantee is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 13 March 2015 (after trading hours), Pegasus (HK), an indirect wholly-owned subsidiary of the Company, entered into a Guarantee in favour of the Landlord as a condition to enable the Joint Venture Company, which is owned as to 60% by Pegasus (Beijing) and as to 40% by Lander Investment Limited, to rent the

Leased Premises for a term of fifteen years commencing from the Date of Possession, provided that the maximum liability under the Guarantee will not exceed approximately RMB5.9 million (equivalent to approximately HK$7.4 million).

An indemnity was executed by Lander Investment Limited as indemnifier in favour of the Group in respect of any damages incurred by the Group arising from the Guarantee in proportion to the shareholding of Lander Investment Limited in the Joint Venture Company, provided that the maximum liability under the Indemnity will not exceed approximately RMB2.4 million (equivalent to approximately HK$2.9 million), being 40% of the maximum liability of Pegasus (HK) under the Guarantee.

PROVISION OF GUARANTEE

Lease Agreement

Set out below are the major terms of the Lease Agreement:

Date: 13 March 2015

Parties involved:

1. The Joint Venture Company, as tenant.
2. The Landlord, as landlord.

The Joint Venture Company is a non-wholly owned subsidiary of the Company established in the PRC with limited liability on 24 December 2014 with a registered capital of RMB10.0 million which is owned as to 60% by Pegasus (Beijing) and as to 40% by Lander Investment Limited, an Independent Third Party. The principal business activity of the Joint Venture Company is the management of films and television series production and the operation and management of cinemas.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

Leased Premises

The Leased Premises is situated on Levels 4 and 5 of Vivo City, Minxing District, Qixin Road, Shanghai, the PRC. Vivo City is a shopping mall which is currently under construction and, based on the information provided by the Landlord, is expected to commence operation in the third quarter of 2016.

Term of lease

The lease of the Leased Premises is for a term of fifteen years commencing on the Date of Possession (which is expected to be in the first quarter of 2016) and expiring in the first quarter of 2031.

Rent and other charges

The Joint Venture Company will pay (i) the base rent and other charges to the Landlord every calendar month commencing from the Date of Operation in advance; and (ii) the turnover rent based on a certain percentage of the Annual Net Box Office Receipts every 12 calendar months in arrears.

Guarantee

Set out below are the major terms of the Guarantee:

Date:	13 March 2015
Parties involved:	1. Pegasus (HK), as guarantor.
	2. The Landlord.

Pegasus (HK), an indirect wholly-owned subsidiary of the Company, as guarantor, executed the Guarantee in favour of the Landlord to guarantee the due, full, punctual and complete performance and observance by the Joint Venture Company of all its obligations, undertakings and covenants under the Lease Agreement and to undertake that if and whenever the Joint Venture Company will be in breach of any of its obligations, undertakings and covenants under the Lease Agreement or in default in the payment of rent or other sums payable by it thereunder, Pegasus (HK) will make good all such defaults and pay to the Landlord all such rent and other sums which maybe outstanding, provided that the maximum liability under the Guarantee will not exceed approximately RMB5.9 million (equivalent to approximately HK$7.4 million), being an amount agreed between Pegasus (HK) and the Landlord based on the aggregate base rent of the Lease Agreement.

Indemnity

Set out below are the major terms of the Indemnity:

Date:	13 March 2015
Parties involved:	1. Lander Investment Limited, as indemnifier.
	2. Pegasus (Beijing).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Lander Investment Limited and its ultimate beneficial owners are Independent Third Parties.

Lander Investment Limited, as indemnifier, executed the Indemnity in favour of the Group in respect of any damages incurred by Pegasus (HK) arising from the Guarantee in proportion to the shareholding of Lander Investment Limited in the Joint Venture Company, provided that the maximum liability under the Indemnity will not exceed approximately RMB2.4 million (equivalent to approximately HK$2.9 million), being 40% of the maximum liability of Pegasus (HK) under the Guarantee.

REASONS FOR THE PROVISION OF THE GUARANTEE

The Group is principally engaged in films and television series production, distribution, licensing of film rights, film exhibition and post-production.

The Group is optimistic about the future of the film industry in the PRC market and in the course of expanding into cinema operation in the PRC in order to further develop its film distribution business. As a condition of entering into the Lease Agreement, the Landlord required that the payment obligations of the Joint Venture Company under the Lease Agreement to be secured by the Group as a guarantor. Hence, the Guarantee was provided as a security to enable the Joint Venture Company to enter into the Lease Agreement. Given that the Joint Venture Company is owned as to 60% by Pegasus (Beijing) and as to 40% by Lander Investment Limited, the Indemnity was executed by Lander Investment, as indemnifier, in favour of the Group in respect of any damages incurred by Pegasus (HK) arising from the Guarantee in proportion to the shareholding of Lander Investment Limited in the Joint Venture Company. The maximum liability under the Indemnity is approximately RMB2.4 million (equivalent to approximately HK$2.9 million), being 40% of the maximum liability of Pegasus (HK) under the Guarantee.

The Directors (including the independent non-executive Directors) consider that the Guarantee is on normal commercial terms after arm's length negotiation and the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Guarantee or is required to abstain from voting on the relevant board resolutions to approve the Guarantee.

INFORMATION ON LANDER INVESTMENT LIMITED AND THE LANDLORD

Lander Investment Limited was established in the PRC with limited liability and is mainly engaged in the business of investment management and consultancy. The Landlord was established in the PRC with limited liability and is mainly engaged in the business of property development.

LISTING RULES IMPLICATIONS

Given that Pegasus (Beijing) is an indirect wholly-owned subsidiary of the Company and that the Joint Venture Company is directly owned as to 60% by Pegasus (Beijing), the Joint Venture Company is a Connected Person of the Company. Accordingly, the provision of the financial assistance by the Group to the Joint Venture Company in the form of a guarantee constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Guarantee are less than 25% and the total consideration is less than HK$10.0 million, the transaction contemplated under the Guarantee is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

DEFINITIONS

"Annual Net Box Office Receipts"	gross proceeds received or receivable of the sale of tickets for the cinema operated at the Leased Premises every 12 months commencing from the Date of Operation, after deduction of the applicable tax and other related charges;
"Board"	the board of Directors;
"Company"	Pegasus Entertainment Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange;
"Connected Person"	shall have the meaning given to it in the Listing Rules;
"Date of Operation"	the date when the cinema officially commences business operation, which is expected to be a date in the third quarter of 2016;
"Date of Possession"	the date when the Landlord deliver possession of the Leased Premises to the Joint Venture Company, which is expected to be a date in the first quarter of 2016;
"Director(s)"	director(s) of the board of the Company;
"Group"	the Company and its subsidiaries;
"Guarantee"	the guarantee dated 13 March 2015 executed by Pegasus (HK) in favour of the Landlord;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of PRC;
"Indemnity"	the indemnity dated 13 March 2015 executed by Lander Investment Limited in favour of Pegasus (Beijing) to be in the form of a bank guarantee;
"Independent Third Party(ies)"	third party(ies) independent of the Company and the Connected Persons of the Company and is not a Connected Person of the Company;
"Joint Venture Company"	勝馬文化傳播(上海)有限公司 (in English, for identification purpose only, Shengma Culture (Shanghai) Limited), a company established under the laws of the PRC with limited liability on 24 December 2014 and owned as to 60% by Pegasus (Beijing) and 40% by Lander Investment Limited;

"Lander Investment Limited"	浙江萊茵達投資管理有限公司 (in English, for identification purpose only, Lander Investment Limited), a company established in the PRC with limited liability and an Independent Third Party;
"Landlord"	上海領豐房地產開發有限公司 (in English, for identification purpose only, Shanghai Lingfeng Property Development Limited), a company established in the PRC with limited liability and an Independent Third Party;
"Lease Agreement"	the lease agreement dated 13 March 2015 entered into between the Landlord and the Joint Venture Company;
"Leased Premises"	certain area situated on Levels 4 and 5 of Vivo City;
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange;
"Pegasus (Beijing)"	北京天馬聯合影視文化有限公司 (in English, for identification purpose only, Beijing Pegasus United Motion Pictures Culture Company Limited), a company established under the laws of the PRC with limited liability on 22 March 2011 and an indirectly wholly-owned subsidiary of the Company;
"Pegasus (HK)"	Pegasus Motion Pictures (Hong Kong) Limited (天馬電影出品(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 21 December 2009 and an indirectly wholly-owned subsidiary of the Company;
"PRC"	People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;
"Shareholder(s)"	Shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"Vivo City"	a shopping mall located at Minxing District, Qixin Road, Shanghai, the PRC, which is currently in the construction stage and is expected to commence business in the third quarter of 2016.

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

Hong Kong, 13 March 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.