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鳳凰衛視

## **PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED**

**鳳凰衛視控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

### **CONTINUING CONNECTED TRANSACTIONS**

On 26 June 2002, Phoenix CNE Ltd., a 70% owned subsidiary of the Company, has entered into the New Transponder Agreement and the New EPG Services Agreement with BSkyB, an Associate of STAR Holdings, which owns 37.6% interest in the Company, for the provision of satellite transponder capacity, uplinking and MPEG encoding services and EPG services by BSkyB to Phoenix CNE Channel at the total annual license fees of US\$600,000 (approximately HK\$4,668,000) and £28,000 (approximately HK\$320,320) respectively.

The transactions referred to above constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules and are subject to the announcement, approval of the Independent Shareholders and other reporting requirements. In addition, the early termination of the Old Transponder Agreement constitutes a connected transaction of the Company.

Ordinary resolutions will be proposed to approve, confirm and ratify the New Agreements and the transactions therein contemplated, which include the early termination of the Old Transponder Agreement and the respective Annual Caps. STAR Holdings and its Associates will abstain from voting at the EGM in respect of such ordinary resolutions.

A circular containing, among other matters, information on the Continuing Connected Transactions, the letter of advice from an independent financial adviser, the recommendation of the Independent Board Committee and a notice of the EGM together with the proxy form will be dispatched to the Shareholders within 21 days from the date of this announcement.

## THE NEW AGREEMENTS

The Directors wish to announce that on 26 June 2002, Phoenix CNE Ltd., a 70% owned subsidiary of the Company, has entered into the New Transponder Agreement and the New EPG Services Agreement with BSkyB, an Associate of STAR Holdings which owns 37.6% interest in the Company.

### A. New Transponder Agreement

- Date:** 26 June 2002
- Parties:** (1) Phoenix CNE Ltd.  
(2) BSkyB
- Services:** provide satellite transponder capacity for 24 hours per day and uplinking and MPEG encoding services for Phoenix CNE Channel.
- Term:** 3 years from 1 July 2002
- Condition:** The Old Transponder Agreement was terminated upon the execution of the New Transponder Agreement. However, if the Condition is not satisfied within 2 months after 1 July 2002 or such later date to be agreed by the parties, the New Transponder Agreement shall terminate on the expiry of the said 2 months' period or such prolonged period as agreed and the Old Transponder Agreement will be revived upon such termination.
- Consideration:** satellite transponder capacity: US\$522,000 (approximately HK\$4,061,160) per annum
- uplinking and MPEG encoding services: US\$78,000 (approximately HK\$606,840) per annum
- All fees are payable on a monthly basis.

### B. New EPG Services Agreement

- Date:** 26 June 2002
- Parties:** (1) Phoenix CNE Ltd.  
(2) BSkyB
- Services:** provide EPG services for Phoenix CNE Channel
- Term:** 3 years from 30 August 2002
- Condition:** If the Condition is not satisfied on or before 30 August 2002 or such later date to be agreed by the parties, the New EPG Services Agreement shall terminate on 30<sup>th</sup> August 2002 or upon the expiry of such prolonged period as agreed.

**Consideration:** £28,000 (approximately HK\$320,320) per annum payable on a monthly basis.

The transactions referred to above constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules and are subject to the announcement, approval of the Independent Shareholders and other reporting requirements.

## **THE OLD AGREEMENTS**

### **A. Old Transponder Agreement**

Pursuant to the heads of agreement dated 11 June 1998 between BSkyB and Phoenix CNE Ltd., as amended by an amendment agreement dated 19 August 1998, BSkyB agreed to provide satellite transponder capacity for 6 hours per day and uplinking and MPEG encoding services for Phoenix CNE Channel for a term of 3 years from the Channel Launch Date at a base fee of US\$205,200 (approximately HK\$1,596,456) per annum, which sum was subject to increase in accordance with increases over the equivalent period in the United Kingdom retail prices index. Further changes were made pursuant to another amendment agreement dated 18 March 2002 including the expansion of satellite transponder capacity to 8 hours per day and hence the increase in fee to US\$305,070 (approximately HK\$2,373,445) per annum.

### **B. Old EPG Services Agreement**

Pursuant to an agreement dated 19 August 1999 between BSkyB and Phoenix CNE Ltd., BSkyB agreed to provide EPG services to Phoenix CNE Ltd. for a term of three years starting from 30 August 1999 at a fee of £28,000 (approximately HK\$320,320) per annum.

## **Reasons for entering into the New Agreements**

Under the arrangement in the Old Transponder Agreement, Phoenix CNE Channel was broadcasting 8 hours a day. To increase advertising time slot and provide better services to our audience, it will extend broadcasting time to 24 hours a day. The extension of broadcasting time from 8 hours to 24 hours will invariably increase the service fee payable to BSkyB. The entry of the New Transponder Agreement is to replace the Old Transponder Agreement. As the cap of the Waiver of HK\$3,200,000 was fixed on the basis of a lower level of usage, the annual fee payable to BSkyB under the New Transponder Agreement would exceed the said cap. The Old EPG Services Agreement will expire on 29 August 2002, the entry of the New EPG Services Agreement is for the continuity of services. In addition, it is appropriate to enter into the New Transponder Agreement and the New EPG Services Agreement with BSkyB at the same time. The New Agreements have been negotiated on an arm's length basis.

The Directors believe that the terms of the New Agreements and the transactions contemplated therein have been entered into in the ordinary and usual course of the Company's business on normal commercial terms and are fair and reasonable and in the interests of the shareholders as a whole.

## **Maximum amount of the continuing connected transactions**

The Directors believe that the amount of fees payable by Phoenix CNE Ltd. to BSkyB for the New Transponder Agreement and the New EPG Services Agreement will not exceed HK\$6,000,000 and HK\$600,000 respectively per annum for each of the three financial years

ending 30 June 2005 (“Annual Caps”). The Annual Caps have been determined with reference to the constant supply of satellite transponder capacity, uplinking and MPEG encoding services and EPG Services and a flexible supply (if necessary and subject to availability) of additional services related to the transmission of one or more feeds of Phoenix CNE Channel or other channels operated by the Group and the possible fluctuations of exchange rates.

### **Information on the Company**

The Company, through Phoenix Satellite Television Company Limited, is a satellite television broadcaster. Phoenix’s channels include Phoenix InfoNews Channel, Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix CNE Channel. The Company also operates the Phoenix Weekly magazine and the [www.phoenixtv.com](http://www.phoenixtv.com) website to diversify its business to non-broadcast media.

### **Information on BSkyB**

BSkyB is the UK’s leading digital TV service provider. More than 15 million viewers in 5.9 million households enjoy an unprecedented choice of movies, news, entertainment and sports channels and interactive services on Sky digital, the UK’s first broadband digital television platform. It is listed on the London and New York Stock Exchanges.

### **Connected Transactions**

Amongst the parties to the New Agreements, Phoenix CNE Ltd. is a 70% owned subsidiary of the Company. BSkyB is an Associate of The News Corporation, which is the ultimate holding company of STAR Holdings. STAR Holdings, which owns approximately 37.6% interest in the Company, is the initial management shareholder and substantial shareholder of the Company (as defined in the GEM Listing Rules). Accordingly, BSkyB is a connected person of the Company under Chapter 20 of the GEM Listing Rules. The transactions contemplated in the New Agreements constitute non-exempt connected transactions under rule 20.26 of the GEM Listing Rules, and will be subject to the reporting, announcement and Shareholders’ approval requirements set out in rules 20.34 to 20.36 of the GEM Listing Rules.

Ordinary resolutions will be proposed to approve, confirm and ratify the New Agreements and the transactions therein contemplated, which include the early termination of the Old Transponder Agreement and the respective Annual Caps. STAR Holdings and its Associates will abstain from voting at the EGM in respect of such ordinary resolutions.

A circular containing, among other matters, information on the Continuing Connected Transactions, the letter of advice from an independent financial adviser, the recommendation of the Independent Board Committee and a notice of the EGM together with the proxy form will be dispatched to the Shareholders within 21 days from the date of this announcement.

### **Definitions**

- |                |                                                                                                                           |
|----------------|---------------------------------------------------------------------------------------------------------------------------|
| “Annual Caps”  | shall have the meaning ascribed thereto in the paragraph headed “Maximum amount of the continuing connected transactions” |
| “Associate(s)” | shall have the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules                                             |

“BSkyB”	British Sky Broadcasting Limited, a company 36.3% owned by The News Corporation Limited and listed on the London and New York Stock Exchanges
“Channel Launch Date”	21 August 1999, being the launch date of the Phoenix CNE Channel
“Company”	Phoenix Satellite Television Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Condition”	the Independent Shareholders approving, confirming and ratifying the New Agreements and the transactions contemplated therein in accordance with the GEM Listing Rules
“Connected Transactions” or “Continuing Connected Transactions”	the transactions contemplated in the New Agreements
“Directors”	the directors of the Company, including independent non-executive directors
“EGM”	the extraordinary general meeting of the Company to be held to approve, confirm and ratify the Continuing Connected Transactions as well as other matters in or about July or August 2002
“EPG Services”	the electronic programme guide services
“GEM”	the Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Dr. Lo Ka Shui and Mr. Kuok Khoon Ean, both being independent non-executive Directors
“Independent Shareholders”	the shareholders of the Company other than STAR Holdings and its Associates
“£”	United Kingdom Pounds, the lawful currency of England
“MPEG”	Moving Picture Experts Group
“New Agreements”	the New Transponder Agreement and the New EPG Services Agreement

“New EPG Services Agreement”	the new agreement between BSkyB and Phoenix CNE Ltd. dated 26 June 2002 in relation to the provision of EPG Services
“New Transponder Agreement”	the new agreement between BSkyB and Phoenix CNE Ltd. dated 26 June 2002 in relation to the provision of satellite transponder capacity, uplinking and encoding facilities
“Old Agreements”	the Old Transponder Agreement and the Old EPG Services Agreement
“Old EPG Services Agreement”	the agreement dated 19 August 1999 between BSkyB and Phoenix CNE Ltd for the provision of EPG services.
“Old Transponder Agreement”	the heads of agreement dated 11 June 1998, as amended subsequently on 19 August 1999 and 18 March 2002 respectively between BSkyB and Phoenix CNE Ltd for the provision of satellite transponder capacity, uplinking and MPEG encoding services.
“Phoenix CNE Channel”	an un-encrypted television channel operated by Phoenix CNE Ltd. targeting Chinese audience in Europe
“Phoenix CNE Ltd.”	Phoenix Chinese News & Entertainment Limited, a 70% owned subsidiary of the Company
“Prospectus”	the prospectus of the Company dated 21 June 2000
“Shareholders”	the shareholders of the Company
“STAR Holdings”	STAR Television Holdings Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Waiver”	the waiver granted by the Stock Exchange to the Company Exchange from strict compliance with the reporting and shareholders’ approval requirements under the GEM Listing Rules on 29 June 2000 in respect of the non-exempt connected transactions as described in the Prospectus under the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”.

*Note: The US\$ and £ amounts shown in this circular have been translated into HK\$ based on the exchange rate of US\$1.00 to HK\$7.78 and £1.00 to HK\$11.44 respectively.*

By Order of the Board  
**Liu Changle**  
Chairman

Hong Kong, 26 June 2002

*The announcement, for which the directors of the Company 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: - (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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 for at least 7 days from the date of its posting.*