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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)*

(Stock Code : 8002)

### **CONTINUING CONNECTED TRANSACTIONS**

On 30 October 2000, Phoenix HK entered into the DIRECTV License Agreement with DIRECTV which has been extended on a monthly basis after the expiry of the initial term. On 15 June 2004, Phoenix HK and DIRECTV signed a letter and agreed to terminate the monthly basis arrangement and extend the term of the DIRECTV License Agreement for six months from 1 July 2004. On 22 December 2003, News Corporation completed a series of transactions in which it acquired a 34% interest in The DIRECTV Group, Inc. (formerly known as Hughes Electronics Corporation) which is indirectly holding 100% of DIRECTV. The DIRECTV Group, Inc. is now 34% owned by Fox Entertainment Group, Inc. which is approximately 82% owned by News Corporation. News Corporation is the ultimate holding company of Xing Kong Chuan Mei, which in turn is a substantial shareholder of the Company. Thus, pursuant to the Listing Rules, DIRECTV has become a connected person of the Company and the aggregate licence fees received from DIRECTV from 1 January to 30 April 2004 has reached approximately HK\$801,000.

On 15 June 2004, Phoenix HK has entered into the Fox News Feed Services Agreement with Fox, an associate of Xing Kong Chuan Mei for the provision of news feed service, office space and other ancillary services, which shall replace the Old Fox News Feed Services Agreement. Fox is a wholly owned Subsidiary of News Corporation.

The transactions contemplated in the Agreements constitute continuing connected transactions under Rule 20.34 of the GEM Listing Rules and are subject to the announcement and other reporting requirements.

### **THE AGREEMENTS**

The Directors wish to announce that on (i) 30 October 2000, Phoenix HK, a wholly-owned subsidiary of the Company, has entered into the DIRECTV License Agreement with DIRECTV which has been extended by a unilateral letter from DIRECTV dated 3 October 2002 on a monthly basis after the expiry of the initial term on 22 November 2002. By a further letter dated 15 June 2004, Phoenix HK and DIRECTV have agreed to terminate the monthly renewal

arrangement and extend the term of the DIRECTV License Agreement for six months from 1 July 2004. The parties will negotiate shortly to revise the terms of the deal and a further announcement will be made when required. On 22 December 2003, News Corporation completed a series of transactions in which it acquired a 34% interest in The DIRECTV Group, Inc. (formerly known as Hughes Electronics Corporation), which is indirectly holding 100% of DIRECTV. The DIRECTV Group, Inc. is now 34% owned by Fox Entertainment Group, Inc. which is approximately 82% owned by News Corporation. News Corporation is the ultimate holding company of Xing Kong Chuan Mei, which in turn is a substantial shareholder of the Company. Thus, pursuant to the Listing Rules, DIRECTV has become a connected person of the Company since 22 December 2003. The license fees received from DIRECTV from 22 to 31 December 2003 and from 1 January to 30 April 2004 have reached approximately HK\$65,000 and HK\$801,000 respectively. These were de minimis transactions and were exempted from the reporting, announcement and independent shareholders' approval requirements under rule 20.33 of the GEM Listing Rules. It is estimated that the accumulated license fees would soon reach the threshold which trigger announcement and other reporting requirements under the GEM Listing Rules; and (ii) on 15 June 2004, Phoenix HK has entered into an agreement with Fox for the provision of news feed service, office space and other ancillary services to Phoenix. Fox is a wholly owned subsidiary of News Corporation, which is the ultimate holding company of Xing Kong Chuan Mei.

## **1. The DIRECTV License Agreement**

**Date:** 30 October 2000

**Parties:** (1) Phoenix HK

(2) DIRECTV

### **Distribution Right:**

DIRECTV obtains from Phoenix the non-exclusive right to distribute the Phoenix North America Chinese Channel via its direct broadcast service satellite-delivered television system in North America.

### **Term:**

The term of the DIRECTV License Agreement has been extended on a month-to-month basis by way of a unilateral letter after the initial term expired on 22 November 2002. By a further letter dated 15 June 2004, Phoenix HK and DIRECTV have agreed to terminate the monthly renewal arrangement and extend the term of the DIRECTV License Agreement for six months from 1 July 2004, provided that either party shall have the right, in its sole discretion, to terminate the Agreement upon thirty (30) days prior written notice to the other party at any time during such extended Term.

### **Consideration:**

DIRECTV shall pay to Phoenix HK a monthly license fee in U.S. Dollars in an amount equal to a percentage ranging from 40% to 50%, which progresses according to the number of the Service Subscribers, of the gross receipts obtained by DIRECTV from the Service Subscribers.

The license fee has been agreed after arm's length negotiations between the parties and was determined in accordance with normal commercial terms and with reference to terms available to independent third parties, and the license fee charged by Phoenix HK from DIRECTV is no more favourable than those offered by Phoenix to independent third parties for the similar rights.

### **Historical Figures and Expected Annual Cap**

The amount of fees received from DIRECTV by Phoenix HK for the financial years ended 30 June, 2001, 2002 and 2003 were approximately HK\$161,000, HK\$1,543,000 and HK\$2,401,000 respectively and for the 6 months ended 31 December 2003 were approximately HK\$1,005,000. Phoenix announced on 8 January 2004 that its financial year end date was changed from 30 June to 31 December commencing from the year end of 31 December 2003. The aggregate license fees received from DIRECTV from 1 January to 30 April 2004 has reached approximately HK\$801,000. It is estimated that the accumulated license fees would soon reach the threshold which trigger announcement and other reporting requirements under the GEM Listing Rules.

The Directors believe that the amount of fees received from DIRECTV for the DIRECTV License Agreement will not exceed HK\$3,000,000 per annum for the financial year ended 31 December 2004 (the "Annual Cap for the DIRECTV License Agreement"). The Annual Cap for the DIRECTV License Agreement has been determined with reference to the historical figures and an estimation of the potential growth of the Service Subscribers as Phoenix North America Chinese Channel continues to gain popularity among the Chinese audience in the United States. The parties will negotiate shortly to revise the terms of the deal and a further announcement will be made when required.

### **Reasons for entering into the DIRECTV License Agreement**

Phoenix has always been dedicating its efforts to expand its international reach. Phoenix North America Chinese Channel was launched in early 2001 to target the Chinese audience in North America. DIRECTV is a leading satellite broadcaster in the United States. By entering into the DIRECTV License Agreement, Phoenix would be able to tap into the potential US pay TV market. The DIRECTV License Agreement was negotiated on an arm's length basis and at the time of negotiation, DIRECTV was not yet a connected party.

The Directors believe that the terms of the DIRECTV License Agreement 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.

## **2. The Fox News Feed Services Agreement**

**Date:** 15 June 2004

**Parties:** (i) Phoenix HK

(ii) Fox

## **Services to be provided by Fox**

1. to Phoenix HK and Phoenix InfoNews Channel (“First Services”):
  - a. a non-exclusive license to subscribe to the Edge, including access to the Edge intranet web site and feeds and the right to air the Fox News Channel (these rights are also extended to Phoenix Chinese Channel and Phoenix Chinese News and Entertainment Channel);
  - b. (i) to use non-exclusively the office space including certain facilities in Fox’s existing Washington and New York Bureaus, and (ii) to access the workspace at Fox’s existing Los Angeles, Chicago and Atlanta Bureaus subject to availability; and
  - c. to access occasionally Fox’s camera hook up at the United Nations, interview positions in various places in the United States and live shots from Fox’s satellite truck positions for events that Fox is already covering, subject to availability.
2. to Phoenix HK and Phoenix North America Chinese Channel a non-exclusive license to subscribe to the Edge, including access to the Edge intranet web site and feeds (“Second Services”).

Phoenix InfoNews Channel, Phoenix Chinese Channel, Phoenix Chinese News and Entertainment Channel and Phoenix North America Chinese Channel are all Phoenix’s channels.

3. Fox may from time to time, at the request of Phoenix HK, provide additional services and/or facilities (other than the First Services and the Second Services) to Phoenix HK upon such terms and at such fees as the parties may agree on a case by case basis (“Additional Services”). The parties will negotiate in good faith on an arm’s length basis for the terms and fees (which will be determined in accordance with normal commercial terms) of such Additional Services. The Additional Services may include the provision of crew to operate the studio, control room or other facilities within Fox’s premises.

**Term:** 3 years commencing from the Commencement Date.

## **Consideration**

For the First Services: Phoenix HK shall pay Fox license fees of US\$430,000 (HK\$3,345,000) per annum.

For the Second Services: Phoenix HK shall pay Fox license fees based on the number of subscribers of the Phoenix North America Chinese Channel and in accordance with the following schedule which have been determined in accordance with normal commercial terms:

<b>Number of Subscribers</b>	<b>Annual License Fees</b>
Zero to 10,000	US\$25,000 (HK\$194,500)
10,001 to 29,999	US\$32,500 (HK\$252,850)
30,000 to 49,999	US\$45,000 (HK\$350,100)
50,000 and above	US\$60,000 (HK\$466,800)

All license fees shall be payable on a monthly basis. The license fees have been agreed after arm's length negotiations between the parties and are determined in accordance with normal commercial practice and with reference to consideration paid by independent third party to Fox for similar services. The terms offered to the Group under the Fox News Feed Services Agreement as a whole are no less favourable than those offered by Fox to independent third parties for similar services.

## **Reason for entering into the Fox News Feed Services Agreement**

Fox has been providing Phoenix HK with the access to first-hand international financial news and current affairs coverage through its efficient and comprehensive news feed services under the Old Fox News Feed Services Agreement which had been approved by Independent Shareholders on 26 July 2001. The term of the Old Fox News Feed Services Agreement shall expire on 25 July 2004. Therefore, the Directors consider that Phoenix should continue to obtain the news feed services and other ancillary services from Fox. In addition, it is convenient for Phoenix to enjoy the various services under the Fox News Feed Services Agreement to have office space located within the existing Fox's bureaus.

## **Difference between the old and new agreement**

The terms of the Old Fox News Feed Services Agreement and the Fox News Feed Services Agreement are similar except that under the Fox News Feed Services Agreement, the floor area of certain office spaces has been increased, Phoenix can no longer use Fox's broadcasting facilities to deliver its materials and the service fees for First Services has been reduced from US\$500,000 (HK\$3,890,000) per annum under the Old Fox News Feed Services Agreement to US\$430,000 (HK\$3,345,000) per annum. The basis of calculation for the Second Services and Additional Services under the old and new agreement is the same.

## **Historical figures and expected annual cap**

The amount of fees paid or payable by Phoenix HK to Fox under the Old Fox News Feed Services Agreement for the financial years ended 30 June 2002 and 2003 were approximately HK\$4,132,000 and HK\$4,092,000 respectively and for the ten months ended 30 April 2004 were approximately HK\$3,543,000. The Directors believe that the amount of fees payable by

Phoenix HK to Fox for the four financial years ending 31 December 2007 under the Fox News Feed Services Agreement will not respectively exceed (i) 1 January to 31 December 2004: US\$277,250 (HK\$2,157,005), (ii) 1 January to 31 December 2005: US\$554,500 (HK\$4,314,010), (iii) 1 January to 31 December 2006: US\$554,500 (HK\$4,314,010) and (iv) 1 January to 31 December 2007: US\$277,250 (HK\$2,157,005) (the “Annual Cap for the Fox News Feed Services Agreement”). The Annual Cap for the Fox News Feed Services Agreement includes the basic annual license fees of US\$430,000 (HK\$3,345,400) for the First Services and US\$60,000 (HK\$466,800), being the maximum liability for the Second Services as well as a buffer of US\$64,500 (HK\$501,810), for the use of the Additional Services. A similar buffer of US\$75,000 (HK\$583,500) for the Additional Services included in the annual cap for the Old Fox News Feed Services Agreement was approved by the Shareholder on 26 July 2001. The buffer for the Additional Services under both the old and new agreement was based on 15% of the basic license fees for the First Services. Since the Fox News Feed Services Agreement only cover half of the financial year for the years ending 2004 and 2007, thus their respective annual caps are also 50% less than the others. The Annual Cap for the Fox News Feed Services Agreement has been determined with reference to the fixed fee payable under the agreement and the anticipated demand of the Additional Services for Phoenix’s channels.

### **Information on the Company**

The Company, is a Hong Kong-based television broadcaster. Phoenix’s channels include Phoenix Chinese, Phoenix Movies, Phoenix InfoNews, Phoenix Chinese News and Entertainment and Phoenix North America Chinese channels, which together broadcast to audiences in the Asia Pacific, as well as in Europe, North America and North Africa, covering more than 90 countries and regions. The Company also operates [www.phoenixtv.com](http://www.phoenixtv.com) website and Phoenix weekly magazine to diversify its business to non broadcast media.

### **Information on DIRECTV**

The DIRECTV Group is a world-leading provider of digital television entertainment, broadband satellite and network services, and global video and data broadcasting. DIRECTV is the largest provider of DBS television services in the United States based on the number of subscribers. As of 31 December 2003, DIRECTV had approximately 12.2 million subscribers.

### **Information on Fox**

Fox is a 24-hour all news cable channel which is currently available to over 85 million U.S. cable and direct broadcast service households. Fox also produces a weekend political commentary show. Fox, through its Fox News Edge service, licenses news feeds to Fox Affiliates and other subscribers to use as part of local news telecasts.

### **Continuing Connected Transactions**

Amongst the parties to the DIRECTV License Agreement, Phoenix HK is the wholly-owned subsidiary of the Company. DIRECTV is an Associate of News Corporation, which is the ultimate holding company of Xing Kong Chuan Mei. Xing Kong Chuan Mei, 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, DIRECTV is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

Amongst the parties to the Fox News Feed Services Agreement, Phoenix HK is a wholly-owned subsidiary of the Company. Fox is a Subsidiary of News Corporation, which is the ultimate holding company of Xing Kong Chuan Mei. Xing Kong Chuan Mei is the initial management shareholder and substantial shareholder of the Company (as defined in the GEM Listing Rules). Accordingly, Fox is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

The transactions contemplated in the Agreements constitute continuing connected transactions under rule 20.34 of the GEM Listing Rules, and will be subject to the reporting and announcement requirements set out in rules 20.45 to 20.47 of the GEM Listing Rules.

## DEFINITIONS

“Agreements”	the DIRECTV License Agreement and the Fox News Feed Services Agreement
“Associate(s)”	shall have the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“Commencement Day”	26 July 2004
“Company” or “Phoenix”	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
“Connected Transactions” or “Continuing Connected Transactions”	the transactions contemplated in the Agreements
“DIRECTV”	DIRECTV, INC., which is 100% indirectly held by The DIRECTV Group, Inc. (formerly known as Hughes Electronics Corporation). The DIRECTV Group, Inc. is now 34% owned by Fox Entertainment Group, Inc. which is approximately 82% owned by News Corporation. News Corporation indirectly owns 100% of Xing Kong Chuan Mei
“DIRECTV License Agreement”	the affiliation and license agreement for direct broadcast service satellite exhibition of programming between Phoenix HK and DIRECTV dated 30 October 2000 and the supplemental agreement(s) thereof
“Directors”	the directors of the Company, including independent non-executive directors
“Edge”	Fox’s news service, currently entitled Fox News Edge, including news stories, daily feeds and special news on various topics

“Fox”	Fox News Network, L.L.C., which is a wholly owned Subsidiary of News Corporation
“Fox News Feed Services Agreement”	the agreement entered into between Phoenix HK and Fox on 15 June 2004 for a term of 3 years whereby Fox shall provide news feed services, office space and other ancillary services to Phoenix
“Fox News Channel”	A 24-hour United States domestic cable news channel operated by Fox currently entitled the Fox News Channel
“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” or “Phoenix”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	the shareholders of the Company other than Xing Kong Chuan Mei and its Associates
“News Corporation”	The News Corporation Limited, which is the ultimate holding company of Xing Kong Chuan Mei
“Old Fox News Feed Services Agreement”	the agreement entered into between Phoenix HK and Fox on 27 June 2001 for a term of 3 years commencing from 26 July 2001 whereby Fox shall provide services to Phoenix similar to those under the Fox News Feed Services Agreement
“Phoenix Chinese Channel”	a general entertainment television channel operated by the Group and targeting audiences across Asia, South East Asia, Australia and the Middle East
“Phoenix Chinese News and Entertainment Channel”	a general entertainment television channel operated by the Group and targeting Chinese audience in Europe
“Phoenix InfoNews Channel”	a news television channel operated by the Group and targeting audiences across Asia, South East Asia, Australia and the Middle East
“Phoenix HK”	Phoenix Satellite Television Company Limited, a wholly-owned subsidiary of the Company
“Phoenix North America Chinese Channel”	a general entertainment channel operated by the Group and targeting Chinese audience in North America

“Service Subscribers”	those customers authorised by DIRECTV to receive the Phoenix North America Chinese Channel via DIRECTV’s direct broadcast service satellite-delivered television system
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	shall have the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Xing Kong Chuan Mei”	Xing Kong Chuan Mei Group Co., Ltd., formerly known as STAR Television Holdings Limited, 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)

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

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

Hong Kong, 16 June 2004

*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.*

*As at the date of this announcement, the executive directors of the Company are Mr. LIU Changle and Mr. CHUI Keung, the non-executive directors of the Company are Ms GUTHRIE Michelle Lee, Mr. LAU Yu Leung John, Mr. CHEUNG Chun On Daniel, Mr. XU Gang (alternate director: Mr. GONG Jianzhong) and Mr. CHEUNG San Ping and the independent non-executive directors are Dr. LO Ka Shui and Mr. KUOK Khoon Ean.*

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