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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold all your shares in Phoenix Satellite Television Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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)

CONNECTED TRANSACTIONS

**in respect of the news feed services and other ancillary services
provided by Fox News Network, L.L.C. to
Phoenix Satellite Television Company Limited and its channels**

Independent financial adviser to the Independent Board Committee



Tai Fook Capital Limited

A letter from the Independent Board Committee dated 11 July, 2001 is set out on page 9 of this circular.

A letter from Tai Fook Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee dated 11 July, 2001 is set out on pages 10 to 16 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 10/F, One Harbourfront, 18–22 Tak Fung Street, Hunghom, Kowloon, Hong Kong on 26 July, 2001 at 3:00 p.m. is set out on page 23 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjourned meetings. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the meeting or any adjourned meetings should you so wish.

This circular will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the date of its posting.

11 July, 2001

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Additional Services”	shall have the meaning ascribed thereto in the paragraph headed “Services to be provided by Fox” in the Letter from the Board section of this circular
“Agreement”	the agreement dated 27 June, 2001 between Phoenix and Fox
“Associate(s)”	has the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“Board”	board of Directors
“Commencement Day”	the day upon which the Condition is fulfilled
“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 GEM
“Condition”	the Independent Shareholders approving the Agreement and the transactions contemplated therein in accordance with the GEM Listing Rules and the delivery of a signed original of the Agreement by Phoenix to Fox
“Connected Transactions” or “Ongoing Connected Transactions”	the transactions contemplated in the Agreement
“DBS”	direct broadcast service
“Directors”	the directors of the Company
“Edge License”	a non-exclusive and non-transferable license to subscribe to Fox’s news service, currently entitled Fox News Edge, including access to the Edge intranet web site and feeds
“EGM”	the extraordinary general meeting of the Company to be held to approve the Agreement and the Connected Transactions and other related matters
“Estimated Cap”	shall have the meaning ascribed thereto in the paragraph headed “Maximum amount of the continuing connected transactions” in the Letter from the Board section of this circular

DEFINITIONS

“First Agreement”	the agreement dated 2 May, 2001 entered into between Phoenix and Fox for the provision of the services which are same as the First Services under the Agreement but for a period of 1 year and at a annual license fee of US\$550,000 (HK\$4,279,000), details of such agreement have been announced by the Company on 2 May, 2001
“First Services”	shall have the meaning ascribed thereto in the paragraph headed “Services to be provided by Fox” in the Letter from the Board section of this circular
“Fox”	Fox News Network, L.L.C. a company incorporated in the United States, which is wholly owned by The News Corporation Limited
“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”	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
“InfoNews”	Phoenix InfoNews Channel
“Latest Practicable Date”	9 July, 2001, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“North America Chinese Channel”	Phoenix North America Chinese Channel
“Phoenix”	Phoenix Satellite Television Company Limited, a wholly-owned subsidiary of the Company
“PRC”	People’s Republic of China
“Prospectus”	the prospectus issued by the Company on 21 June, 2000

DEFINITIONS

“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance
“Second Services”	shall have the meaning ascribed thereto in the paragraph headed “Services to be provided by Fox” in the Letter from the Board section of this circular
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“STAR Holdings”	Star Television Holdings Limited, a company incorporated in the British Virgin Islands, which has an interest of approximately 37.6% in the Company
“Stations”	the Phoenix Chinese Channel and Phoenix Chinese News and Entertainment Channel
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tai Fook”	Tai Fook Capital Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee
“US\$”	United States dollars, the lawful currency of the United States of America

Note: The exchange rate between US\$ and HK\$ adopted in the circular shall be US\$1.00 to HK\$7.78.



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)

Executive Directors:

LIU, Changle (*Chairman*)
CHUI, Keung

Non-executive Directors:

MURDOCH, James Rupert (*Vice-Chairman*)
CHURCHILL, Bruce Barrett
LAU, Yu Leung John
CHEUNG, Chun On Daniel
XU, Gang
CHEUNG, San Ping

Independent non-executive Directors:

LO, Ka Shui
KUOK, Khoon Ean

Registered Office:

Zephyr House
Mary Street
George Town
Grand Cayman
Cayman Islands

Principal Place of Business:

9/F, One Harbourfront
18-22 Tak Fung Street
Hung Hom
Kowloon
Hong Kong

11 July, 2001

To Shareholders of the Company

Dear Sir or Madam,

CONNECTED TRANSACTIONS

**in respect of the news feed services and other ancillary services
provided by Fox News Network, L.L.C. to
Phoenix Satellite Television Company Limited and its channels**

INTRODUCTION

On 27 June, 2001, the Directors announced that Phoenix had entered into an Agreement with Fox, an associate of STAR Holdings, which owns approximately 37.6% interest in the Company, whereby Fox has agreed to (i) grant the Edge License and the right to air the Fox News Channel to Phoenix and InfoNews, and the Stations, together with other ancillary services to Phoenix and the InfoNews for a period of 3 years at the license fees of US\$500,000 (HK\$3,890,000) per annum, (ii) grant the Edge License to Phoenix and its North America Chinese Channel for a period of 1 year at the

LETTER FROM THE BOARD

license fees payable in accordance with the number of subscribers of the channel ranging from a minimum of US\$25,000 (HK\$194,500) and a maximum of US\$60,000 (HK\$466,800) per annum, and (iii) such other services and/or facilities as Fox may from time to time, at the request of Phoenix, provide to Phoenix upon such terms and at such fees as the parties may agree on a case by case basis.

THE AGREEMENT

Date : 27 June, 2001

Parties : (1) Phoenix
(2) Fox

Services to be provided by Fox

- (1) to Phoenix and InfoNews (“First Services”):
 - (a) to use the services under the Edge License and to air the Fox News Channel (these rights are also extended to the Stations);
 - (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 and its North America Chinese Channel to use the services under the Edge License (“Second Services”).
- (3) Fox may from time to time, at the request of Phoenix, provide additional services and/or facilities (other than the First Services and the Second Services) to Phoenix upon such terms and at such fees as the parties may agree on a case by case basis (“Additional Services”). Such Additional Services may include the provision of crew to operate the studio, control room or other facilities within Fox’s premises.

Term

In respect of the First Services, 3 years from the Commencement Day.

In respect of the Second Services, 1 year from the Commencement Day.

LETTER FROM THE BOARD

Consideration

For the First Services: Phoenix shall pay Fox license fees of US\$500,000 (HK\$3,890,000) per annum.

For the Second Services: Phoenix shall pay Fox license fees based on the number of subscribers of North America Chinese Channel and in accordance with the following schedule:

Number of Subscribers	Annual License Fees
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 are determined in accordance with normal commercial practice.

Maximum amount of the continuing connected transactions

The Directors believe that the amount of fees payable by Phoenix to Fox will not exceed US\$635,000 (HK\$4,940,300) per annum for each of the 3 financial years ending 30 June, 2004 (“Estimated Cap”). The Estimated Cap includes the basic annual license fees of US\$500,000 (HK\$3,890,000) for the First Services and US\$60,000 (HK\$466,800) (maximum liability) for the Second Services (assuming that the Second Services will be renewed on similar terms after the expiry of the initial 1 year term) as well as a buffer of US\$75,000 (HK\$583,500) for the use of the Additional Services. The Estimated Cap has been determined with reference to the anticipated demand for a steady supply of quality news materials and related services and a flexible supply of the Additional Services from Phoenix’s channels.

Commencement

The Connected Transactions shall commence and take effect from the Commencement Day, but shall cease and determine if the Condition is not satisfied before 28 July, 2001 or such later date as agreed by the parties.

DIFFERENCE BETWEEN THE FIRST AGREEMENT AND THE AGREEMENT

Under the First Agreement, Fox has agreed to provide services which are same as the First Services under the Agreement for a period of 1 year commencing from 2 May, 2001 at the service fees of US\$550,000 (HK\$4,279,000) per annum. Upon the Condition being satisfied, the Agreement will replace the First Agreement, and thereafter Fox shall provide the First Services for a period of 3 years at the service fees of US\$500,000 (HK\$3,890,000) per annum, the Second Services for the period of 1 year at the license fees payable in accordance with the number of subscribers of North America Chinese Channel ranging from a minimum of US\$25,000 (HK\$194,500) and a maximum of US\$60,000 (HK\$466,800) per annum, and the Additional Services (if any) upon such terms and at such fees as the parties may agree from time to time on a case by case basis.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The Company, through Phoenix, 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 Chinese News and Entertainment Channel. The Company also operates the Phoenix Weekly magazine and the www.phoenixtv.com website to diversify its business to non-broadcast media.

INFORMATION ON FOX

Fox is a 24-hour all news cable channel which is currently available to over 65 million cable and DBS households in the United States. 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 broadcasts.

CONNECTED TRANSACTIONS

Amongst the parties to the Agreement, Phoenix is a wholly owned subsidiary of the Company. Fox is wholly owned by The News Corporation Limited, 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, Fox is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the entry of the Agreement and the conduct of the transactions contemplated therein constitute connected transactions for the Company.

As the Connected Transactions constitute non-exempt continuing connected transactions pursuant to Rule 20.26 of the GEM Listing Rules, and are therefore subject to Independent Shareholders' approval, announcement and reporting requirements. Details of the Connected Transactions will be included in the Company's next published annual report.

REASONS FOR ENTERING INTO THE AGREEMENT

The United States is the world's financial hub. The Directors believe that Phoenix, with the access to first-hand international financial news and current affairs coverage through Fox's efficient and comprehensive news feed services, can more efficiently fulfill the needs of its audience. Under the First Agreement, the First Services are provided for a term of 1 year at an annual license fee of US\$550,000 (HK\$4,279,000). However, for the long-term development of Phoenix's channels, it is more beneficial for Phoenix to obtain a steady supply of quality news materials and related services, and in particular, at a reduced fee and a flexible supply of other additional services which may be relevant to its need. The Directors believe that the terms of the Agreement and the Connected Transactions 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.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM will be held at 10/F, One Harbourfront, 18–22 Tak Fung Street, Hunghom, Kowloon, Hong Kong on 26 July, 2001 at 3:00 p.m.. A notice of the EGM is set out on page 23 of this circular at which ordinary resolution will be proposed to approve the Agreement, the Connected Transactions and other related matters. **STAR Holdings and its Associates will abstain from voting at the EGM on the ordinary resolution set out in the notice convening the EGM.**

A form of proxy for use at the EGM is enclosed. Shareholders are requested to complete this form of proxy and return the same to the Company's principal place of business in Hong Kong at 9/F, One Harbourfront, 18–22 Tak Fung Street, Hunghom, Kowloon, Hong Kong, in accordance with the instructions printed thereon by not later than 48 hours before the time of the meeting or any adjourned meetings, whether or not they intend to be present at the meeting. The completion and returning of the form of proxy will not preclude the Shareholders from attending and voting in person should they so wish.

RECOMMENDATIONS

(a) Recommendations of the Independent Board Committee

Tai Fook has been appointed to advise the Independent Board Committee on the Agreement and the Estimated Cap. The Independent Board Committee, having taken into account the advice of Tai Fook, considers that the terms of the Agreement and the Connected Transactions 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 (including the Independent Shareholders) as a whole and the Estimated Cap is fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM. The letter of advice from Tai Fook is set out on pages 10 to 16 of this circular.

(b) Recommendations of the Directors

The Directors also recommend you to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
On behalf of the Board
Phoenix Satellite Television Holdings Limited
Liu Changle
Chairman



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)

11 July, 2001

To the Independent Shareholders

Dear Sirs or Madam.

CONNECTED TRANSACTIONS

**in respect of the news feed services and the ancillary services
provided by Fox News Network, L.L.C. to
Phoenix Satellite Television Company Limited and its channels**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Connected Transactions, details of which are set out in the letter from the Board in the circular dated 11 July, 2001 (the “Circular”) to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of Tai Fook in respect of the Connected Transactions as set out in the letter from Tai Fook in the Circular. Having taken into account the advice of Tai Fook, we consider that the terms of the Agreement and the Connected Transactions 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 (including the Independent Shareholders) as a whole and the Estimated Cap as defined and set out in the Circular is fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM.

Yours faithfully

For and on behalf of

Independent Board Committee

Lo Ka Shui

Kuok Khoon Ean

Director

Director

LETTER FROM TAI FOOK

The following is the text of the letter of advice to the Independent Board Committee from Tai Fook dated 11 July, 2001 for incorporation in this circular:



Tai Fook Capital Limited
25th Floor, New World Tower
16–18 Queen's Road Central
Hong Kong

11 July, 2001

*To the Independent Board Committee of
Phoenix Satellite Television Holdings Limited*
9/F, One Harbourfront
18–22 Tak Fung Street
Hung Hom, Kowloon
Hong Kong

Dear Sirs,

CONNECTED TRANSACTIONS

We refer to our appointment to advise the Independent Board Committee in relation to the ongoing connected transactions contemplated under the Agreement and the Estimated Cap, details of which are set out in this circular dated 11 July, 2001 to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in this circular unless the context otherwise requires.

Amongst the parties to the Agreement, Phoenix is a wholly-owned subsidiary of the Company. Fox is wholly owned by The News Corporation Limited, which is the ultimate holding company of STAR Holdings and as at the date of entering into the Agreement, STAR Holdings has an interest of approximately 37.6% in the Company. Fox is therefore regarded as a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the entering into the Agreement constitutes a connected transaction and the transactions carried on pursuant to the Agreement constitute non-exempt continuing connected transactions for the Company under Rule 20.26 of the GEM Listing Rules which are subject to various disclosure requirements and approval from the Independent Shareholders.

In formulating our recommendations, we have relied on the accuracy of the information and representations contained in the Circular, which have been provided by the Directors and which they consider to be true, complete, accurate and relevant. We have been advised by the Directors that no material factors have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements contained in and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continue to be so at the date of despatch of the Circular and also assumed that all intentions of the Company and the Directors will be met or carried out as the case may be.

We consider that we have reviewed sufficient information to reach an informed view and to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us. We have not, however, conducted an in-depth investigation into the existing and future business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the terms of the Agreement and the Estimated Cap, we have considered the following principal factors and reasons:

1. Background

On 2 May, 2001, Phoenix entered into the First Agreement with Fox, pursuant to which Phoenix agreed to pay an annual license fee of US\$550,000 (HK\$4,279,000) to Fox for the provision of, inter alia, the following services to Phoenix and InfoNews:

- (a) to use the services under the Edge License and to air the Fox News Channel (these rights are also extended to the Stations);
- (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.

It is noted that under the First Agreement, the provision of the above services is for a period of 1 year commencing from 2 May, 2001 to 1 May, 2002. The license fees shall be payable on a monthly basis.

As stated in the announcement on 2 May, 2001, the Directors, including the independent non-executive Directors, consider that the transactions contemplated under the First Agreement are on normal commercial terms and is in the ordinary and normal course of business of the Company.

On 27 June, 2001, Phoenix entered into the Agreement with Fox. Upon fulfillment of the Condition, the Agreement will replace the First Agreement and thereafter Fox shall provide the First Services and the Second Services for a term of 3 years and 1 year respectively from the Commencement Day.

2. Terms of the Agreement

Under the Agreement, Fox agreed:

- (a) to provide the First Services for a consecutive period of 3 years from the Commencement Day, and Phoenix agreed to pay an annual license fee of US\$500,000 (HK\$3,890,000) to Fox for the provision of such services;
- (b) to provide the Second Services for a period of 1 year from the Commencement Day, and Phoenix agreed to pay an annual license fee based upon the number of subscribers of North America Chinese Channel and in accordance with the following scale:

Number of subscribers	Annual license fees
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)

- (c) to provide such other services and/or facilities (other than the First Services and the Second Services) as Fox may from time to time, to Phoenix upon such terms and at such fees as the parties may agree on a case by case basis.

First Services

Pursuant to the Agreement, Phoenix, InfoNews and the Stations are granted the right to use the services under the Edge License that contains video images and shots for broadcasting purposes as well as the rights to air the Fox News Channel and approximately 25 daily feeds, representing approximately 170,000 news stories per annum, will be provided to Phoenix, InfoNews and the Stations for broadcasting purposes. The Edge License also includes special news feeds including exclusive franchise packages in various topics such as, United States politics, business news and consumer issues, entertainment news, health/medicine and human interest features. Phoenix can transmit recorded video and audio contents through Fox's satellite uplinking facilities at Fox's cost for a maximum of 10 minutes per day. The Group has fully utilised such transmission time provided by Fox since the commencement of the First Agreement on 2 May, 2001. The Directors consider that the content provided under the Edge License will meet the audiences' demand for more internationalised and diversified news content to Phoenix, InfoNews and the Stations.

Under the Agreement, Phoenix and InfoNews are also granted the rights to use the office space in Fox's existing Washington and New York Bureaus, and subject to availability to use the office space at Fox's existing Los Angeles, Chicago and Atlanta Bureaus. Apart from the use of office space in Fox's existing Washington and New York Bureaus, Phoenix and InfoNews are also allowed to utilise certain other ancillary facilities as provided in the Bureaus such as, occasional access to studio facilities, ability to record news feeds from certain international news agencies, connection to cable television, direct access to White House and Capitol Building stand-up positions, and access to White House

and Washington Press pool video. The office spaces provided by Fox are located in Fox's existing Bureaus in various financial and political centers of the United States. The Group has stationed two staff in each of the office space in Fox's existing Washington and New York Bureaus and started to use various facilities provided by Fox since the commencement of the First Agreement. It is estimated that the cost required for the Group to set up similar facilities in the United States on its own will be higher than that of such an arrangement under the Agreement.

Phoenix and InfoNews, according to the Agreement, are also granted the right to access Fox's camera hook up, interview positions in various places in the United States and live shots from Fox's satellite truck positions subject to availability. The Directors consider that Fox has a range of comprehensive set of broadcasting equipment and location advantage to capture first hand information in the United States. By leveraging on Fox's facilities, the Directors expect that the Group's on-site news coverage ability in the United States will be enhanced. The Directors further believe that these services are valuable for the Group to maintain its competitive edge in the media industry.

Second Services

Apart from the First Services (which are identical to those included in the First Agreement), according to the Agreement, Phoenix and North America Chinese Channel are also granted the right to use the services under the Edge License that contains video images and shots for broadcasting purposes and the access to proprietary NewsEdge Intranet site, which is similar to the Edge License services provided to Phoenix, InfoNews and the Stations. The Directors consider that the Second Services allow Phoenix and North America Chinese Channel to produce its own tailor made news program with the news feeds provided by Fox so that the Group can satisfy the diversified needs of its audiences in the North America. The annual license fee for the provision of the Second Services is principally determined by the average number of subscribers of North America Chinese Channel in accordance with the above mentioned schedule ranging from US\$25,000 to US\$60,000. The Directors have confirmed that the license fees are determined in accordance with normal commercial practice.

Additional Services

Based on the Agreement, Phoenix may request Fox, from time to time and subject to Fox's availability, to provide additional services and/or facilities (other than the First Services and the Second Services) at such fees as the parties may agree on a case by case basis. The Additional Services may include but not limited to the provision of crew to operate the studio, control room or other facilities within Fox's premises. The Directors have confirmed that the fees payable for the Additional Services will be negotiated on arm's length basis and will be determined by reference to market practice.

General

We have reviewed certain long-term agreements entered into by the Group with other international and/or regional news agencies in relation to the provision of services, which are of similar nature of the First Services and the Second Services under the Agreement.

Apart from the long-term agreements, we have also reviewed, as provided by the Group, certain other quotations given by international news groups in relation to similar services provided by Fox.

Having considered the fact that, (i) the terms of the Agreement, on a lump sum basis, are comparable to services provided by third party service providers for similar services; (ii) the Directors consider that the Agreement provides various types of services, technical support and flexibility that suit the diversified needs of the Group; (iii) the Directors consider that the terms of the Agreement and the transactions contemplated therein are on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole; and (iv) the Directors have confirmed that the fees payable for the Additional Services will be negotiated on arm's length basis and will be determined by reference to market practice, we consider that the terms of the Agreement are fair and reasonable and in the interest of the Shareholders (including the Independent Shareholders) and the Company as a whole.

3. Reasons for entering into the Agreement

As mentioned in the Company's third quarter report for the 2000/01 financial year, it is the Group's strategy for InfoNews to maintain a uniquely Chinese perspective while steadily moving to a more pan-Asian and global focus from mainly Hong Kong and China. Fox is a 24-hour all news cable channel which is currently available to over 65 million United States cable and DBS households. Fox also produces political commentary show. With the United States as one of the world's leading financial hub, the Directors believe that Phoenix, with the access to first-hand international financial news and current affairs coverage through Fox's efficient and comprehensive news feed services to provide under the Agreement, can more efficiently fulfill the different tastes and needs of its audience in Asia, Europe and North America.

Apart from the generic news feeds and content provision services under the Agreement, Phoenix and InfoNews are also granted the rights to use the facilities and workplaces in Fox's existing Bureaus in the major United States cities. Moreover, the Directors consider that the rights granted under the Agreement to access Fox's camera hook up, interview positions in various places in the United States and live shots from Fox's satellite truck positions, together with the extra options available to Phoenix under the Additional Services, will provide the Group with further flexibility and will enhance its ability to produce quality, tailor-made news coverage on a wide range of topics in the United States.

Under the First Agreement, the First Services are provided for a term of 1 year at an annual license fee of US\$550,000.00 (HK\$4,279,000). However, for the long-term development of Phoenix's channels, it is more beneficial for Phoenix to obtain a steady supply of a variety of news materials, and in particular, at a reduced fee and a flexible supply of other additional services which may be relevant to its needs.

4. Basis of the Estimated Cap

The transactions arising from the Agreement are expected to continue in the ordinary and usual course of business of the Company on a recurring basis subject to, among other conditions, the maximum aggregates annual amount of fees payable by Phoenix to Fox for each of the 3

financial years ending 30 June, 2004 shall not exceed US\$635,000 (HK\$4,940,300). The Estimated Cap includes the basic annual license fees of US\$500,000 (HK\$3,890,000) for the First Services and US\$60,000 (HK\$466,800) (representing the maximum liability payable by Phoenix) for the Second Services (assuming that the Second Services will be renewed on similar terms after the expiry of the initial 1 year term) as well as a buffer of US\$75,000 (HK\$583,500). The Estimated Cap has been determined with reference to the anticipated demand for a steady supply of quality news materials and related services and a flexible supply of the Additional Services for Phoenix's channels as well as to provide the flexibility to encounter the possible needs to expand the First Services and the renewal of the term of the Second Services. The Directors consider that these flexible and steady supplies of quality news materials are important to the success in the media industry.

The Directors have confirmed that the fees to be charged for the Additional Services will be negotiated on arm's length basis and determined by reference to market practice.

Given that, (i) the aforesaid basis of determination of the Estimated Cap; (ii) the flexible supply of the Additional Services to encounter the possible needs to expand the First Services and to renew of the term of the Second Services are considered to be beneficial to the Group by the Directors; and (iii) the Directors have confirmed that the fees to be charged for the Additional Services will be negotiated on arm's length basis and determined by reference to market practice, we consider that the Estimated Cap is fair and reasonable.

5. Annual review of the Ongoing Connected Transactions

In compliance with the annual review requirements under Chapter 20 of the GEM Listing Rules, the Company's independent non-executive Directors and auditors will review the followings:

- (i) during the term of the Agreement, the Company's independent non-executive Directors will review the Agreement annually and confirm in the Company's next and each successive annual report that the Agreement:
 - (a) has been entered into by Phoenix in the ordinary and usual course of its business and has been conducted in accordance with the terms of the Agreement;
 - (b) has been entered into on normal commercial terms or if there are not sufficient comparable transactions to judge whether it is on normal commercial terms, on terms no less favourable than terms available from independent third parties; and
 - (c) has been entered into on terms that are fair and reasonable so far as the Shareholders and the Company are concerned.

LETTER FROM TAI FOOK

- (ii) the auditors of the Company shall review the Connected Transactions annually and confirm in a letter to the Board a copy of which shall be provided to the Listing Division of the Stock Exchange, stating whether:
 - (a) the Connected Transactions have received the approval of the Board;
 - (b) the Connected Transactions have been entered into in accordance with the terms of the Agreement; and
 - (c) the Estimated Cap has not been exceeded.

The Company has undertaken to the Stock Exchange that, for so long as the Shares are listed on the GEM it will provide the Company's auditors with full access to its relevant records for the purpose of the auditors' review of the Ongoing Connected Transactions. The Company shall promptly notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in Rules 20.27 and/or 20.28 of the GEM Listing Rules respectively. The Company may have to re-comply with Rules 20.26(3) and (4) and any other conditions the Stock Exchange considers appropriate.

RECOMMENDATION

Having taken into consideration the above principal factors and reasons, we consider that the terms of the Agreement and the Estimated Cap are fair and reasonable so far as the Independent Shareholders are concerned, and the terms of the Agreement are in the interests of the Shareholders (including the Independent Shareholders) and the Company as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholder to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Yours faithfully,
For and on behalf of
Tai Fook Capital Limited
Derek C.O. Chan
Deputy Managing Director

1. RESPONSIBILITY STATEMENT

This circular, 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:

- (1) the information contained in this circular 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 circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF DIRECTOR'S INTERESTS

2.1 Interests in securities

As at the Latest Practicable Date, the interests of the each Director and chief executive of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of the SDI Ordinance) which (a) were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he was taken or deemed to have under section 31 or Part I of the Schedule to the SDI Ordinance); or (b) were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

(A) *Interest in Shares*

Name	Personal interests	Corporate interests
LIU, Changle	—	1,854,000,000 (<i>Note</i>)
CHEUNG, Chun On, Daniel	110,000	—

Note: Mr. LIU, Changle is the beneficial owner of approximately 93.3% of the issued share of Today's Asia Limited, which in turn is interested in approximately 37.6% of the Company as at the Latest Practicable Date.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company nor their respective Associates were interested in any equity or debt securities of the Company or any of its associated corporations.

(B) *Rights to acquire Shares*

Name	Number of Shares under option	Exercise price per Share <i>HK\$</i>	Option Period
LIU, Changle	5,320,000	1.08	14 June, 2000 to 13 June, 2010
CHUI, Keung	3,990,000	1.08	14 June, 2000 to 13 June, 2010

Note: These share options were granted on 14 June, 2000. No options may be exercised within 12 months after the date of grant of the options. Details of the time and the percentage of Shares comprised in the options that may be exercised are set out in Appendix VI of the Prospectus under the section headed “Share Option Schemes”. None of the above share options have been exercised as at the Latest Practicable Date.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company nor their respective Associates were granted or had exercised any right to subscribe for any equity or debt securities of the Company.

2.2 Interests in service contracts

Each of the executive Directors has entered into a service agreement with the Company. Each service agreement is for a term of three years commencing from 30 June, 2000, being the date on which the Shares were first admitted for trading on GEM, which will continue thereafter. Each service agreement can be terminated by either party giving to the other not less than three months’ written notice.

Save as disclosed herein, none of the Directors has any existing or proposed service contracts with the Group, excluding contracts expiring or terminable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

2.3 Interests in assets

Save as disclosed in the Prospectus and the 2000/2001 annual report of the Company, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June, 2000, the date to which the latest published audited financial statements were made up.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the existing issued share capital of the Company:

Name of shareholders	Number of Shares	Percentage of holding
STAR Holdings (<i>Note 1</i>)	1,854,000,000	approximately 37.6
Today's Asia Limited (<i>Note 2</i>)	1,854,000,000	approximately 37.6

Notes:

- (1) STAR Holdings is a wholly-owned subsidiary of Star Television Limited, which in turn is owned as to 75% by New Cayman Holdings Limited and 25% by Star Group Limited. Star Group Limited is a wholly-owned subsidiary of News Cayman Holdings Limited. News Publishers Investments Pty. Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty. Limited is a wholly-owned subsidiary of News Publishers Holdings Pty. Limited, which in turn is a wholly-owned subsidiary of The News Corporation Limited, a listed company in Australia, London and New York.

By virtue of the SDI Ordinance, The News Corporation Limited, News Publishers Holdings Pty. Limited, News Publishers Investments Pty. Limited, News Cayman Holdings Limited and Star Television Limited are all deemed to be interested in the 1,854,000,000 shares held by STAR Holdings.

- (2) Today's Asia Limited is beneficially owned as to 93.3% by Mr. LIU, Changle and 6.7% by Mr. CHAN, Wing Kee.

Save as disclosed herein, the Directors are not aware of any person as at the Latest Practicable Date was interested, directly and indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 30 June, 2000, the date to which the latest audited financial statements of the Group were made up.

5. INTEREST OF SPONSORS

Bank of China Group Investment Limited, beneficially owned by Bank of China, the ultimate holding company of BOCI Asia Limited, indirectly owns the entire issued share capital of China Wise International Limited which in turn owns 412,000,000 Shares (approximately 8.4%) of the Company. Mr. LUO, Jiansheng has been nominated by China Wise International Limited and appointed as a Director of 14 subsidiaries of the Group, namely:

- Phoenix Satellite Television Company Limited
- Phoenix Satellite Television (Chinese Channel) Limited
- Phoenix Satellite Television (Movies) Limited

- Phoenix Satellite Television (Europe) Limited
- Phoenix Satellite Television Trademark Limited (formerly known as Binji Overseas Limited)
- Phoenix Satellite Television Information Limited
- Phoenix Satellite Television (B.V.I.) Holding Limited
- Phoenix Satellite Television (InfoNews) Limited
- Phoenix Weekly Magazine (BVI) Limited
- Phoenix Satellite Television Development (BVI) Limited
- Phoenix Satellite Television (Universal) Limited
- Phoenix Satellite Television Development Limited
- Phoenix Satellite Television Investment (BVI) Limited
- Phoenix Glow Limited

Save as disclosed herein, each of BOCI Asia Limited and Merrill Lynch Far East Limited has confirmed as at the Latest Practicable Date:

- (i) neither itself nor its Associates has, or may have, any interest in any class of securities (including derivatives) of the Company, or any other company within the Group (including options or rights to subscribe such securities);
- (ii) no director or employee or the Associates of BOCI Asia Limited or Merrill Lynch Far East Limited who are involved in providing advice to the Company has or may, have any interest in any class of securities of the Company or any other company within the Group (including options or rights to subscribe such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed by any such directors or employee pursuant to the public offer contemplated in the Prospectus);
- (iii) neither itself nor its Associates accrued any material benefit as a result of the successful outcome of the listing of the Shares on the GEM; and
- (iv) no director or employee or their Associates of BOCI Asia Limited or Merrill Lynch Far East Limited has a directorship in the Company or any other company within the Group.

6. EXPERT

- (a) Tai Fook is a registered investment adviser under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong).

- (b) Tai Fook has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to its name and letter in the form and context in which it appears.

7. COMPETING INTERESTS

Today's Asia Limited, STAR Holdings and China Wise International Limited are interested in approximately 37.6%, 37.6% and 8.4% of the Company respectively. Today's Asia Limited (together with its shareholders, Mr. LIU, Changle and Mr. CHAN Wing Kee), STAR Holdings and China Wise International Limited are deemed to be the initial management shareholders of the Company (as defined under the GEM Listing Rules).

STAR Holdings, together with its parent company, The News Corporation Limited ("News Corporation"), are active in the television broadcasting industry worldwide. News Corporation's diversified global operations in the United States, the United Kingdom, Australia, Latin America and Asia include the production and distribution of motion pictures and television programming; television, satellite and cable broadcasting; the publication of newspapers, magazines, books; the production and distribution of promotional and advertising products and services; the development of digital broadcasting; the development of conditional access and subscriber management systems and the creation and distribution of popular on-line programming. Pursuant to a press release issued on 20 June, 2000, News Corporation announced that it would restructure its worldwide satellite platforms and certain related assets into one umbrella entity to be called Sky Global Networks, Inc. ("Sky Global"). It was announced that Sky Global would comprise News Corporation's equity interests in satellite distribution platforms around the world including Star Group Limited and its subsidiaries. On 20 June, 2000, Sky Global filed a registration statement with the U. S. Securities and Exchange Commission relating to securities to be offered for sale in an initial public offering ("IPO") of Sky Global. The expected IPO has been delayed and News Corporation is exploring alternatives which may or may not include an IPO. Currently, Star Group Limited, the ultimate holding company of STAR Holdings, engages in the ownership and operation of multimedia digital platforms, including satellite television, in the Asia Pacific region. Star Group Limited and its subsidiaries (including STAR Holdings) operate and broadcast a range of channels, such as Star Movies and Star Chinese Channel (which presently only broadcasts in Taiwan) and Channel [V]. Its broadcasting coverage includes China, Taiwan, Hong Kong, countries in South East Asia, the Indian sub-continent and the Middle East.

Mr. LIU, Changle and Mr. CHAN Wing Kee hold through several intermediate companies at different levels approximately 14% and 18% of Asia Television Limited, a Hong Kong based television broadcasting company. Asia Television Limited is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audiences in Hong Kong, Asia Television Limited broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. The Directors understand that the business of the Group may have direct competition with Asia Television Limited in Hong Kong and certain other areas which can receive the signals of the two channels, such as parts of Guangdong Province of the PRC.

Save for the substantial shareholders and management shareholders' interests as disclosed herein, as at the Latest Practicable Date, none of the Directors, the management shareholders of the Company and their respective Associates had or might have any business or interest that competed or might compete with the business of the Group, or any other conflicts of interest with the Group.

8. MISCELLANEOUS

- (a) As at the Latest Practicable Date, Tai Fook has no shareholding in any member of the Group and does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) Tai Fook does not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June, 2000, the date to which the latest published audited financial statements were made up.
- (c) Save as disclosed, none of the Directors is materially interested in any contracts or arrangements subsisting at the date of this circular which are significant in relation to the business of the Group.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during the normal business hours up to and including 26 July, 2001 at the principal place of business of the Company at 9/F, One Harbourfront, 18–22 Tak Fung Street, Hunghom, Kowloon, Hong Kong:

- (1) all the service agreements as referred to in paragraph 2.2 of this appendix headed “Interests in service contracts”;
- (2) the First Agreement;
- (3) the Agreement;
- (4) the letter from Tai Fook to the Independent Board Committee in relation to the transactions as set out on pages 10 to 16 of this circular;
- (5) the written consent of Tai Fook as referred to in paragraph 6 of this appendix; and
- (6) the letter from the Independent Board Committee, the text of which is set out on page 9 of this circular.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Phoenix Satellite Television Holdings Limited (the “Company”) will be held at 10/F, One Harbourfront, 18–22 Tak Fung Street, Hungghom, Kowloon, Hong Kong on 26 July, 2001 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

“THAT the agreement dated 27 June, 2001 entered into between (i) Phoenix Satellite Television Company Limited, a wholly-owned subsidiary of the Company and (ii) Fox News Network, L.L.C. (a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification), details of which are set out in the circular to the shareholders of the Company dated 11 July, 2001 (the “Circular”), the transactions contemplated in the said agreement and the Estimated Cap as defined and set out in the Circular, be and are hereby approved, confirmed, and ratified and any director of the Company be and is hereby authorized to take such action, do such things and execute such further documents or deeds as the director may, in his opinion, deem necessary or desirable for the purpose of implementing such agreement.”

By Order of the Board
Yeung Ka Keung
Company Secretary

Hong Kong, 11 July, 2001

Notes:

- (1) A member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxies to attend and on a poll vote on his behalf. A proxy need not be a member of the Company but must attend the meeting in person.
- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, is requested to be deposited at the Company’s principal place of business in Hong Kong at 9/F, One Harbourfront, 18–22 Tak Fung Street, Hungghom, Kowloon, Hong Kong, in accordance with the instructions printed thereon by not later than 48 hours before the time of the meeting or any adjournment thereof, whether or not they intend to be present at the meeting. The completion and returning of the form of proxy will not preclude the Shareholders from attending and voting in person should they so wish.