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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)

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

- (1) On 29 May 2003, Phoenix HK has entered into the New Star Services Agreement with STARL for the provision of the Technical and Administrative Services, Subscription Promotion Service, Advertising Sales Service, Purchase of Decoders and Viewing Cards Service and other Specifically Requested Services to the Group;
- (2) On 29 May 2003, Phoenix (U.S.) has entered into the ATV Bundle Distribution Agreement with ATV in relation to, inter alia, the distribution of a bundle of channels including PNAC and ATV Home Channel (U.S. version) in the United States and the provision of certain services and equipment to ATV; and
- (3) On 29 May 2003, Phoenix HK has entered into the ATV Programme Licensing Agreement with ATVE, a subsidiary of ATV, for the supply of programmes to the Group.

The transactions referred to above constitute non-exempt 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 set out in rules 20.34 to 20.36 of the GEM Listing Rules. Based on the latest published accounts of the Company and the application of rule 19.06 (2) of the GEM Listing Rules, the entering into the New Star Services Agreement also constitutes a discloseable transaction of the Company.

In addition, prior to the listing of the shares of the Company on GEM on 30 June 2000, Phoenix Movies, a wholly owned subsidiary of the Company, had entered into the STAR Movies Agreement for a term of 10 years commencing from 28 August 1998. The Waiver and the relevant annual cap thereof are going to expire on 30 June 2003. The Company shall request the independent Shareholders of the Company to review the transactions and approve the Proposed Annual Cap for the transactions contemplated in the STAR Movies Agreement for the three financial years ending 30 June, 2006.

Ordinary resolutions will be proposed to approve, confirm and/or ratify the New Star Services Agreement, ATV Bundle Distribution Agreement and ATV Programme Licensing Agreement, and the relevant Proposed Annual Caps therefor together with the Proposed Annual Cap for the STAR Movies Agreement. **STAR Holdings and its Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the New Star Services Agreement and the STAR Movies Agreement. Today's Asia and its Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement.**

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.

CONTINUING CONNECTED TRANSACTIONS

The Directors wish to announce that on 29 May 2003, (1) Phoenix HK has entered into the New Star Services Agreement with STARL; (2) Phoenix (U.S.) has entered into the ATV Bundle Distribution Agreement with ATV; and (3) Phoenix HK has entered into the ATV Programme Licensing Agreement with ATVE.

A. New Star Services Agreement

Background

STARL has been providing technical and administrative, channel subscription promotion, advertising sales and decoder purchasing services to Phoenix HK since the launch of the first channel of the Group in March 1996. Details of the above services and the Old Star Services Agreement were set out in the Prospectus under the section headed Connected Transactions. The Old Star Services Agreement and the Waiver granted in respect of the abovementioned services are going to expire on 30 June 2003. The execution of the New Star Services Agreement is to secure continuity of the services and the details of which are set out below.

Date: 29 May 2003

Parties: (1) Phoenix HK
(2) STARL

Term: 3 years from 1 July 2003 ("Commencement Date")

Condition: the independent Shareholders approving, confirming and/or ratifying the agreement and the transactions contemplated therein in accordance with the GEM Listing Rules. If the Condition cannot be fulfilled on or before the Commencement Date or such later date as STARL and Phoenix HK may agree in writing, then the New Star Services Agreement shall terminate on the Commencement Date or such later date as agreed by the parties and thereafter all rights and obligations of the parties under the New Star Services Agreement shall cease and determine.

SERVICES COVERED BY THE NEW STAR SERVICES AGREEMENT

1. Technical and Administrative Services

a. *Details of Services*

STARL shall to provide the following services to Phoenix HK:

- (i) digital transponder capacity;
- (ii) uplink services;
- (iii) downlink services;
- (iv) subscriber management services;
- (v) playout services;
- (vi) digital video broadcasting services;
- (vii) traffic and presentation/network traffic services;
- (viii) network marketing services;
- (ix) production support services and equipment;
- (x) information system/general information technology support services;
- (xi) engineering support services; and
- (xii) office facilities and administration support services
(collectively “**Technical and Administrative Services**”).

Phoenix HK may terminate the transponder capacity by giving twelve months’ prior notice and all other services mentioned above by giving six months’ prior notice (except the notice period for the cancellation of any one or more feed of the downlink services shall be one month). However, if Phoenix HK intends to appoint a third party to provide the same or substantially similar service being terminated, Phoenix HK shall give notice to STARL so that STARL may match up the terms of such third party and if STARL fails to provide the relevant services upon terms at least as favourable as those provided by the third party, Phoenix HK may then conclude an agreement with such third party.

In addition, Phoenix HK may from time to time request STARL to provide additional services in relation to the existing channels (for services other than those specifically referred to above) and/or other satellite television channels to be operated by the Group from time to time. STARL shall use all reasonable efforts to accommodate any such request based upon additional fees payable to STARL to be negotiated and agreed in good faith on an arm’s length basis for such additional services (“**Specifically Requested Services**”), which shall reflect the same or substantially similar treatment of all other channels (if any) to which STARL charges for such relevant additional services. The most frequently used Specifically Requested Services are the occasional downlink service and the post production services (such as graphics, dubbing and master control room services) which are provided, subject to availability, upon request of Phoenix HK at a fee based on rate cards to be issued by STARL from time to time.

b. *Consideration*

Monthly fees based on fixed rates are payable for the use of each of the Technical and Administrative Services except for the subscriber management services that in the event the number of subscribers shall exceed a certain number in any given month an additional variable fee is payable based on a fixed rate multiplied by the number of excess. The total amount of fixed fees for the first year of the agreement is approximately HK\$41,973,372. Most of the fees are payable in US dollars. The fees and/or rates of all the Technical and Administrative Services (except the fee of the transponder capacity which shall be increased by 3% per year) shall be modified for each twelve month period starting from 1 July 2004 by the multiplication thereof the aggregate of 100% and the lesser of (i) 70% of any increase between the Composite Consumer Price Index of Hong Kong (“CPI”) for the immediately preceding calendar year and the CPI for the calendar year prior to the immediately preceding calendar year and (ii) 6%. The fees were negotiated at arm’s length and determined by reference to, among other things, costs including third party cost, staff cost, administrative costs, equipment and maintenance cost.

c. *Proposed Annual Cap*

Pursuant to the Waiver, the technical and administrative services are subject to an annual cap of HK\$178,000,000. For the financial years ended 30 June, 2001 and 2002 and the nine months ended 31 March 2003, the amounts of fees paid or payable by the Group for the use of the aforesaid services were approximately HK\$113,145,000, HK\$136,473,000 and HK\$66,845,000 respectively.

During the past three years, the Group has developed rapidly in size and businesses, in particular the launch of two addition channels in January 2001 namely Phoenix InfoNews Channel and PNAC Channel. But on the other hand, Phoenix HK has set up its own team and provided certain services in-house which were previously provided by STARL. The increase in demand for additional services due to business expansion has been off set by the Group’s policy to reduce outsourcing of services. The Proposed Annual Cap of the service fees payable by the Group for the Technical and Administrative Services and the Specifically Requested Services shall be HK\$80,000,000 for each of the three financial years ending 30 June 2006. It is determined by reference to, among other things, the fixed fees payable for the Technical and Administrative Services together the agreed increment based on a fixed rate and the possible increment based on CPI, the historical figures of fees paid for the Specifically Requested Services and the Group’s projected requirement of additional capacity or kind of services for future expansion.

2. **Subscription Promotion Service**

a. *Details of the Service*

STARL is appointed as Phoenix HK’s non-exclusive agent to promote the subscription of the Phoenix Chinese Channel, Phoenix InfoNews Channel and Phoenix Movies Channel (and such additional channels operated by Phoenix HK to be mutually agreed by the parties hereto from time to time) and to enlist subscribers to such channels and additional channels (if any) on terms to be mutually agreed on a case by case basis (“**Subscription Promotion Service**”).

b. *Consideration*

STARL shall be entitled to a commission of 15% of the gross subscription fees received by Phoenix HK attributable to the subscribers referred to Phoenix HK by STARL. The commission rate is determined based on commercial negotiation with reference to the rates charged by STARL to other channels for the provision of the same or similar services.

c. *Proposed Annual Cap*

Pursuant to the Waiver, the commission payable to STARL for this connected transaction is subject to an annual cap of HK\$2,500,000. For the financial years ended 30 June, 2001 and 2002 and the nine months ended 31 March 2003, the amounts of commission paid or payable by the Group to STARL for the promotion of channel subscription were approximately HK\$1,447,000, HK\$2,040,000 and HK\$1,740,000 respectively. The Proposed Annual Cap of the commission payable by the Group for the Subscription Promotion Services shall be HK\$5,000,000, HK\$7,500,000 and HK\$10,000,000 for financial years ending 30 June 2004, 2005 and 2006 respectively. It is determined by reference to, among other things, historical figures of the commission paid and the projected development in channel subscription of the Group. The subscription income received by the Group from STARL, mainly attributable from Southeast Asia, has been relatively small over the years and the potential for grow is enormous. The Group is determined to expand its subscription revenue by utilising STARL's international connection and expertise and considers that it is in the interest of the Group to set the Proposed Annual Cap substantially higher than the historical value for these transactions over the past two years and nine months

3. **Advertising Sales Service**

a. *Details of Service*

STARL acts as an exclusive advertising agent for the advertising airtime of Phoenix Chinese Channel and Phoenix InfoNews Channel in all the territory outside the Greater China Region. STARL shall promote and conclude advertising sales through 4A agents to advertising clients where the principal place of business of both of the 4A agents and the advertising clients must be outside the Greater China Region (“**Advertising Sales Services**”).

b. *Consideration*

STARL shall be entitled to a commission of 15% of the net advertising income (being gross revenue less the third party agency fees) generated and received by STARL for the sale of airtime of the two channels. The commission rate is determined by commercial negotiation with reference to the market rates charged by 4A agents.

Phoenix HK shall have the exclusive right to promote and conclude advertising sales through its own advertising sales team and/or third party agent to any advertising client as long as such advertising client's principal place of business is in the Greater China Region. If both STARL and Phoenix HK approach or are approached by advertising clients within their own parameters, STARL shall upon

Phoenix HK's written request discontinue its pursuit of such advertising client. Upon the successful conclusion of the advertising sales contract with all or any of such advertising clients by Phoenix HK or Phoenix HK's third party agent, Phoenix HK shall pay a withdrawal fee to STARL, being 3% of the net advertising income received by Phoenix HK pursuant to the said advertising sales contract.

c. Proposed Annual Cap

Pursuant to the Waiver, the commission payable to STARL for the advertising sales service is subject to an annual cap of HK\$25,000,000. For the financial years ended 30 June, 2001 and 2002 and for the nine months ended 31 March 2003, the amounts of commission paid or payable by the Group were approximately HK\$11,075,000, HK\$8,668,000 and HK\$6,691,000 respectively. The Proposed Annual Cap of the commission and withdrawal fee payable by the Group for the Advertising Sales Services shall be HK\$20,000,000 for each of the three financial years ending 30 June 2006. It is determined by reference to the historical figures of the commission paid to STARL and the projected increase in advertising sales of the channels, in particular the Phoenix InfoNews Channel which obtained the landing right in the PRC at the end of 2002. The advertising income received by the Group from outside the Greater China Region has been relatively small over the years and the potential for grow is enormous. The Group is determined to further increase its advertising income by utilising STARL's international connection and expertise and considers that it is in the interest of the Group to set the Proposed Annual Cap substantially higher than the historical value for these transactions over the past two years and nine months.

4. Purchase of Decoders and Viewing Cards Service

a. Details of the Service

Phoenix HK may from time to time acquire decoders and viewing cards for Phoenix Movies Channel (and such additional channels operated by the Group to be mutually agreed by the parties from time to time) from STARL ("**Purchase of Decoders and Viewing Cards Service**").

b. Consideration

The prices of the decoders and viewing cards are based on the cost to STARL plus (if any) transportation costs of such decoders and viewing cards.

c. Proposed Annual Cap

Pursuant to the Waiver, the amount payable to STARL for the purchase of decoders is subject to an annual cap of HK\$6,500,000, HK\$7,500,000 and HK\$8,500,000 for the financial years ended 30 June 2001, 2002 and 2003 respectively. For the financial years ended 30 June, 2001 and 2002 and for the nine months ended 31 March, 2003, the amounts of fees paid or payable by the Group for the purchase of decoders were approximately HK\$0-, HK\$1,688,000 and HK\$155,000 respectively. The Proposed Annual Cap of the fees payable by the Group for the Purchase of Decoders and Viewing Cards Service shall be HK\$5,000,000, HK\$7,500,000 and HK\$10,000,000 for the financial years ending 30 June 2004, 2005 and 2006 respectively. It is determined by reference to, among other things, historical figures

of the fees paid and the projected increase in number of subscribers of Phoenix Movies Channel and fluctuation in the costs of the decoders and viewing cards. The demand for decoders and viewing cards depends on the increase in subscription of the Phoenix Movies Channel. The subscription base for the Phoenix Movies Channel has been relatively small over the years and the potential for growth is enormous. The Group is determined to improve the programming and promote the channel and expects viewership to increase. Since STARL generally enjoys bulk purchase discounts and is providing this service at costs to the Group, it is in the interest of the Group to set the Proposed Annual Cap substantially higher than the historical value for these transactions.

REASONS FOR ENTERING INTO THE NEW STAR SERVICES AGREEMENT

The Old Star Services Agreement will expire on 30 June 2003, the entering into the New Star Services Agreement is to secure continuity of services. The terms of the New Star Services are different from the Old Star Services Agreement in particular there are substantial changes to the type and content of the Technical and Administrative Services. The terms of the New Star Services Agreement have been negotiated on an arm's length basis and are determined by reference to the market conditions for the provision of such a wide range of services, the costs and efficiency for setting up Phoenix HK's own team in providing the services in-house, the economies of scale achieved by STARL which is operating over 20 satellite channels in Hong Kong, the convenience and efficiency in the provision of services due to long term relationship and geographical proximity and the bulk purchase discount rates enjoyed by STARL. The Directors believe that the terms of the New Star Services 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.

B. ATV Bundle Distribution Agreement

Background

In November 2001, ATV authorised Phoenix (U.S.), among other things, to negotiate with major satellite television operators in the U.S. to include the ATV Home Channel (U.S. version) into their platform and sign distribution agreement on behalf of ATV. Pursuant to the EchoStar Agreement entered into between Phoenix (U.S.) and EchoStar, Phoenix (U.S.) has provided a bundle of three channels namely PNAC Channel, ATV Home Channel (U.S. version) and CCTV-4 as a Chinese language channels package ("**Chinese Package**") to be distributed by EchoStar in the U.S. since January 2002. Phoenix (U.S.) receives subscription proceeds from EchoStar for the sale of the Chinese Package. Phoenix (U.S.) and ATV are sharing such proceeds on an equal basis. If there is any increase or decrease in the number of channels in the package, the parties will negotiate for a new sharing basis according to the principle of fairness.

Transactions Prior to the Agreement

Since January 2002, Phoenix (U.S.) has been providing technical support services and equipment to ATV similar to those described below for the operation of the ATV Home Channel (U.S. version) and charged on a cost reimbursement basis. The total charges receivable by Phoenix (U.S.) for the Phoenix Services were approximately HK\$583,268 and HK\$933,402 for the financial year ended 30 June 2002 and the nine months ended

31 March 2003 respectively. Negotiation between the parties went on for a considerable period of time before the final agreement could be reached due to questions like whether ATV would set up its own service team in the U.S., whether ATV would purchase the equipment or continue to lease from Phoenix (U.S.) and whether EchoStar would renew the term of distribution of the Chinese Package. All these questions were only resolved recently and the parties agreed to enter into the ATV Bundle Distribution Agreement. Realising that the charges for the Phoenix Services are going to exceed the de minimus threshold stipulated under rule 20.25 of the GEM Listing Rules based on the terms of the arrangement finally reached with ATV, the Company disclosed these previous transactions in this announcement in a timely manner.

The ATV Bundle Distribution Agreement governs the rights and obligations of the parties relating to, inter alia, the provision of the ATV Home Channel (U.S. version) to Phoenix (U.S.) for the distribution to EchoStar, the sharing of subscription fees and third party expenses and the provision of certain technical support services and equipment by Phoenix (U.S.) to ATV.

Date: 29 May 2003

Parties: (1) Phoenix (U.S.)
(2) ATV

Term: 3 years from 1 July 2003.

Condition: the independent Shareholders approving, confirming and/or ratifying the agreement and the transactions contemplated therein in accordance with the GEM Listing Rules. If the Condition cannot be fulfilled on or before the Commencement Date or such later date as ATV and Phoenix U.S. may agree in writing, then the ATV Bundle Distribution Agreement shall terminate on the Commencement Date or such later date as agreed by the parties and thereafter all rights and obligations of the parties under the ATV Bundle Distribution Agreement shall cease and determine.

Services:

Phoenix (U.S.) shall provide the following services and equipment to ATV:

- i. the use of floor area for the location of receivers;
- ii. the use of master control room equipment and transmission equipment (including maintenance for daily fair wear and tear);
- iii. fiber optic transmission of ATV Home Channel (U.S. version) from Phoenix (U.S.)'s office to EchoStar; and
- iv. video tapes administration and playout services (collectively "**Phoenix Services**").

If ATV shall request and Phoenix (U.S.) shall agree to provide services related to the ATV Bundle Distribution Agreement other than the Phoenix Services, the parties will negotiate at arm's length in determining the services fees with reference to costs.

Consideration

The total fees for the Phoenix Services are US\$13,963 per month and are payable on a monthly basis.

Phoenix (U.S.) may adjust the fees as follows provided that the adjusted fees shall not be less than the base fees in any event:

Item (i) and (iii) of the Phoenix Services are charged according to Phoenix (U.S.)'s cost and if there is any subsequent increase in cost, Phoenix (U.S.) may increase fees of such services.

Item (iv) of the Phoenix Services is charged mainly according to the remuneration of the operating and management staff, administration and miscellaneous costs. Phoenix (U.S.) may adjust the fee of such service according to the Consumer Price Index for all urban consumers for each calendar year then announced by the U.S. Department of Labour ("U.S. CPI") for each twelve month period starting from 1 July 2004.

Equipment Buy Out

If ATV shall have paid the fee for Item (ii) of the Phoenix Services for 36 months after the Commencement Date, ATV shall be entitled to purchase all the equipment provided under Item (ii) of the Phoenix Services at a fee of US\$9,076.65. On the other hand, ATV may terminate item (ii) of the Phoenix Services by giving a one-month prior written notice to Phoenix (U.S.).

Set-Off

Apart from the fees for the Phoenix Services payable by ATV to Phoenix (U.S.), ATV shall share and reimburse Phoenix (U.S.) the third party expenses incurred by Phoenix (U.S.) for the promotion of the Chinese Package. Phoenix (U.S.) may set off such service fees and promotional expenses with the subscription proceeds to which ATV is entitled from the sale of the Chinese Package.

In addition, the parties agreed to set off the fees for the Phoenix Services and the ATV's share of promotional expenses payable by ATV to Phoenix (U.S.) for the period from 1 January 2002 to 30 June 2003 with the subscription proceeds to which ATV is entitled from the sale of the Chinese Package for the same period within fourteen days from the Commencement Date.

Proposed Annual Cap

The Proposed Annual Cap of the fees receivable by the Group for the Phoenix Services from ATV shall be HK\$2,000,000 for each of the three financial years ending 30 June 2006. It is determined by reference to the historical figures of the fees payable by ATV and possible increase in costs to Phoenix (U.S.), primarily staff and third party costs, in the provision of the Phoenix Services.

Reasons for entering into the ATV Bundle Distribution Agreement

It is generally more attractive to viewers to offer a bundle of channels than a single channel. The subscription of the Chinese Package increased satisfactorily which shows that this commercial tactic is successful in the US. The launch of the Chinese Package is beneficial to both parties. Phoenix (U.S.) is operating an office in the US and the provision of the Phoenix

Services to ATV does not incur substantial additional administration costs to it. The Directors believe that the terms of the ATV Bundle Distribution 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.

C. ATV Programme Licensing Agreement

Background

The Group has from time to time acquired from ATVE the right to broadcast drama series and other television programmes by way of license or sub-license primarily for the use of the Phoenix Chinese Channel and the Group may also sub-license such rights to independent third parties. Details of the above services were set out in the Prospectus under the section headed prospectus "Connected Transactions". The Waiver granted in respect of programmes supplied by ATVE is going to expire on 30 June 2003.

Date: 29 May 2003

Parties: (1) Phoenix HK
(2) ATVE

Term: 3 years from 1 July 2003

Condition: the independent Shareholders approving, confirming and ratifying the agreement and the transactions contemplated therein in accordance with the GEM Listing Rules. If the Condition cannot be fulfilled on or before the Commencement Date or such later date as ATVE and Phoenix HK may agree in writing, then the ATV Programme License Agreement shall terminate on the Commencement Date or such later date as agreed by the parties.

License: certain exclusive and non-exclusive rights to broadcast drama and non-drama programmes and daily news of ATVE by the PCNE Channel and the PNAC Channel with license periods of various lengths. The two channels are sharing the same set of programming since 1 July 2002.

Territory: PCNE Channel: Europe
PNAC Channel: North America

Selection of Programmes: ATV has provided a list of drama and non-drama programmes for Phoenix's selection. By mutual agreement of the parties, more programmes may be added to the selection list.

Committed Programme length and License Fees

Phoenix HK is committed to take the following amount of programme hours ("**Committed Programme Length**") and pay the corresponding license fees:

PCNE Channel: 60 and 45 programme hours for drama and non-drama programmes and 183 programme hours of daily news respectively at a total license fee of US\$182,700 (approximately HK\$1,425,060).

PNAC Channel: 60 and 45 programme hours for drama and non-drama programmes respectively at a total license fee of US\$91,500 (approximately HK\$713,700) and 183 programme hours of daily news free of charge.

The amount of license fees was determined by commercial agreement with reference to license fees charged by ATV to third party licensees for similar programmes and the charges for drama and non-drama programmes licensed from third party suppliers in other countries.

Payment Terms

30% of the license fee for the Committed Programme Length shall be paid within 3 days upon the fulfillment of the Condition and the remaining 70% shall be paid on or before 1 November 2003.

Option

Phoenix HK shall have an option to require ATVE to supply 90 and 55 programme hours of drama and non-drama programmes respectively for both the PCNE Channel and PNAC Channel in excess of the Committed Programme Length at the same unit rates of the programmes (the "**Optional Programme Length**"). The option may be exercised in full or in part and separately.

Payment terms for the Optional Programme Length: 7 days before the delivering of the relevant master tape for the Optional Programme Length.

Specifically Requested Programme:

Phoenix HK may from time to time request ATVE to provide additional drama, non-drama programmes or daily news apart from the Committed Programme Length and the Optional Programme Length for the Phoenix Chinese Channel, PNAC Channel, PCNE Channel and any television channels operated or to be operated by the Group from time to time provided that the license period of such additional programmes shall commence, unless otherwise agreed by the parties, on or after 1 July, 2004. In this respect, the agreement sets out the principles upon which detailed terms are to be determined between the parties. ATVE shall use all reasonable efforts to accommodate any such request and provide such additional programmes based upon the availability of new programmes and the additional licence fees to be negotiated and agreed in good faith on an arm's length basis and on terms no less favourable than those available to independent third parties ("**Specifically Requested Programme**"). The parties may enter into separate and definitive agreement(s) for one or more of the Specifically Requested Programme.

This allows Phoenix HK the flexibility to acquire programme licenses from ATVE for all its channels, in particular, the Chinese Channel, to be broadcast in the next two years when most of their existing programme licences shall have expired.

Proposed Annual Cap

Pursuant to the Waiver, the fees payable to ATVE for the license of ATV programmes are subject to an annual cap of HK\$57,500,000 for each of the three years ended 30 June 2003. For the financial years ended 30 June 2001 and 2002 and for the nine months ended 31 March 2003, the amounts of fees paid or payable by the Group for the license of ATV programmes were approximately HK\$6,125,000, HK\$1,804,000 and HK\$12,260,000 respectively. The Proposed Annual Cap of the fees payable by the Group for the license of programmes from ATVE shall be HK\$15,000,000 for each of the three financial years ending 30 June 2006. It is determined by reference to the historical figures of the license fees paid to ATVE and the projected demand of the Group for ATV programmes in the near future.

Reasons for entering into the ATV Programme Licensing Agreement

ATVE is a major Chinese language television drama and non-drama programmes supplier. Cantonese language drama is popular among the overseas Chinese in Europe and the U.S. and therefore Phoenix HK would like to secure a steady supply of ATV's drama programmes for the PCNE Channel and the PNAC Channel. The source of programming for the Phoenix Chinese Channel is more diversified including drama programmes from Taiwan and Korea and documentary programmes from all over the world. The execution of the ATV Programme Licensing Agreement enables Phoenix HK to have a certain fixed and optional supply of programme licenses for its overseas channels at agreed rates and a flexible supply of additional programmes for any of the Group's channels subject to the availability of new programmes and mutual agreement as to the price and other terms from time to time. The Directors believe that the terms of the ATV Programme Licensing 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.

D. STAR Movies Agreement

Background

Prior to the listing of the shares of the Company on GEM on 30 June 2000, Phoenix Movies had entered into the STAR Movies Agreement whereby STAR Filmed granted to Phoenix Movies a non-exclusive licence to exhibit a selection of movies on Phoenix Movies Channel in the PRC for a term of 10 years commencing from 28 August 1998. Details of the transactions of the STAR Movies Agreement were set out in the Prospectus under the section headed prospectus "Connected Transactions". The Waiver granted in respect of such transactions is going to expire on 30 June 2003.

Date: 15 June 2000

Parties: (1) Phoenix Movies
(2) STAR Filmed

Term: 10 years commencing from 28 August 1998

Licence: non-exclusive license to engage in non-standard television exhibition of a certain selection of movies on the Phoenix Movies Channel in the PRC (excluding Hong Kong and Taiwan, but including Macau).

Consideration: A base fee of US\$237,000 (approximately HK\$1,848,600) per month is payable by Phoenix Movies to STAR Filmed for the license. STAR Filmed is also entitled to charge an additional fee equivalent to 12.5% of the amount of the Phoenix Movies Channel's net revenues (being the gross revenues of the Phoenix Movies Channel less agency commissions and tax for the relevant period) exceeding US\$18,000,000 (HK\$140,400,000) provided that the aggregate amount of the entire amount of the additional fees payable by Phoenix Movies shall not exceed US\$36,000,000 (HK\$280,800,000) for the entire term.

Proposed Annual Cap

Pursuant to the Waiver, this connected transaction is subject to an annual cap of HK\$23,000,000. For the financial years ended 30 June, 2001 and 2002 and for the nine months ended 31 March, 2003, the amount of fees paid or payable by the Group to STAR Filmed for the license of movies were approximately HK\$20,388,000, HK\$20,403,000 and HK\$15,303,000 respectively. The Proposed Annual Cap of the fees payable by the Group for the license of movies from STAR Filmed shall be HK\$23,000,000 for each of the three financial years ending 30 June 2006. It is determined primarily by reference to the historical figures of the license fees paid to STAR Filmed and payment of the additional fee in case Phoenix Movies Channel's net revenues shall exceed the threshold as set out hereinabove. The Directors believe that the terms of the STAR Movies 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.

Information on the Company

The Company, through its subsidiaries, is the leading satellite television operator broadcasting into China. Its channels include Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix InfoNews Channel, PCNE Channel and PNAC Channel, which via AsiaSat 3S Satellite, Eurobird, DIRECTV and EchoStar to audiences in the Asia Pacific, Europe, the United States and North Africa, covering more than 70 countries and regions. The Company also operates Phoenix Weekly magazine and www.phoenixtv.com website to diversify its business to non-broadcast media.

Information on STARL

STARL is primarily engaged in television broadcasting through cable distributors and channel companies in the Asian region. It is also engaged in the provision of management, marketing, public relation and broadcasting services to related companies. It maintains branches in Taiwan and various other cities in the Asian region.

Information on STAR Filmed

STAR Filmed is primarily engaged in the holding and exploitation of audio and visual copyrights.

Information on ATV

ATV is a Hong Kong based television broadcasting company holding a domestic free television programme licence and broadcasts its programmes through two channels, namely “Home Channel” in Cantonese and “World Channel” in English. Recently, it has received approval from the relevant authorities in China to broadcast these two channels through cable system in Guangdong. Its business, in addition to broadcasting, includes advertising, licensing and distribution of television programmes and operation of web-sites. etc.

Information on ATVE

ATVE is a subsidiary of Asia Television Limited. Its business covers purchase, sale, licensing and distribution of television programmes.

Connection between the parties in the continuing connected transactions

Amongst the parties to the new agreements, STARL and STAR Filmed are subsidiaries of STAR Holdings, a substantial shareholder of the Company. Accordingly, STARL and STAR Filmed are connected persons of the Company under Chapter 20 of the GEM Listing Rules.

ATVE, a wholly-owned subsidiary of ATV and ATV are connected parties by virtue of the fact that Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today’s Asia, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV.

The transactions referred to above constitute non-exempt 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 set out in rules 20.34 to 20.36 of the GEM Listing Rules. Based on the latest published accounts of the Company and the application of rule 19.06 (2) of the GEM Listing Rules, the entering into the New Star Services Agreement also constitutes a discloseable transaction of the Company.

Ordinary resolutions will be proposed to approve, confirm and ratify the New Star Services Agreement, ATV Bundle Distribution Agreement and ATV Programme Licensing Agreement, and the relevant Proposed Annual Caps thereof together with the Proposed Annual Cap of the STAR Movies Agreement. **STAR Holdings and its Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the New Star Services Agreement and the STAR Movies Agreement. Today’s Asia and their Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement.**

Conditions of the approval

The approval of the independent Shareholders for the Continuing Connected Transactions will be subject to the following conditions:

- (a) details of the Continuing Connected Transactions will be disclosed in the Company’s annual report in the manner described in Rule 20.34(1) to (5) of the GEM Listing Rules;

- (b) the aggregate consideration in respect of each category of Continuing Connected Transactions for each of the three financial years ended 30 June 2006 shall not exceed the amounts set out below:
- (i) Technical and Administrative Services: HK\$80,000,000;
 - (ii) Subscription Promotion Service: 1/7/2003-30/6/2004: HK\$5,000,000; 1/7/2004-30/6/2005: HK\$7,500,000; 1/7/2005-30/6/2006: HK\$10,000,000;
 - (iii) Advertising Sales Service: HK\$20,000,000;
 - (iv) Purchase of Decoders and Viewing Cards Service: 1/7/2003-30/6/2004: HK\$5,000,000 ; 1/7/2004-30/6/2005: HK\$7,500,000; 1/7/2005-30/6/2006: HK\$10,000,000 ;
 - (v) ATV Bundle Distribution Agreement: HK\$2,000,000;
 - (vi) ATV Programme Licensing Agreement: HK\$15,000,000; and
 - (vii) STAR Movies Agreement: HK\$23,000,000 (the **“Proposed Annual Cap of the STAR Movies Agreement”**)(items (i) to (vii) collectively the **“Proposed Annual Caps”**).
- (c) the independent non-executive Directors will review the Continuing Connected Transactions annually and confirm in the Company’s annual report for the year in question that the Continuing Connected Transactions have been entered into:
- (i) in the ordinary and usual course of the business of the Group;
 - (ii) either on normal commercial terms or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available from or to independent third parties; and
 - (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable so far as the Shareholders as a whole are concerned;
- (d) each year the auditors of the Company shall provide a letter to the board of Directors (with a copy to the Stock Exchange) confirming that the relevant Continuing Connected Transactions:
- (i) has received the approval of the board of Directors;
 - (ii) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and
 - (iii) has not exceeded the relevant Proposed Annual Caps.
- (e) 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 of the Company will not be able to confirm that the matters set out in rules 20.27 and/or 20.28 of the GEM Listing Rules respectively; and
- (f) where any of the Proposed Annual Caps is to be greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group at the end of that financial year, the relevant transaction(s) and the cap are subject to review and re-approval by the independent Shareholders at the annual general meeting so long as such transaction(s) continue(s)

and the independent non-executive Directors will be required to opine in the annual report in respect of that financial year whether or not the Group should continue with the agreement(s) for the relevant transaction(s) pursuant to rule 20.30 of the GEM Listing Rules. If the said rule 20.30 shall be amended or repealed in its entirety in the future, then this condition shall be adjusted accordingly or withdrawn as the case may be.

- (g) in relation of each of the Continuing Connected Transactions, the Company and the counterparty to such Continuing Connected Transaction will submit to the Stock Exchange an undertaking that it will allow the auditors of the Group sufficient access to their records for the purpose of reporting on the transactions as set out in rule 20.28 of the GEM Listing Rules.

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

“4A”	Association of Accredited Advertising Agency
“Associate(s)”	shall have the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“ATV”	Asia Television Limited, a television broadcaster operating in Hong Kong
“ATV Bundle Distribution Agreement”	the agreement dated 29 May 2003 between ATV and Phoenix (U.S.) in relation to the distribution of a bundle of channels in the United States and the provision of certain services and equipment to ATV by Phoenix (U.S.)
“ATV Programme Licensing Agreement”	the agreement dated 29 May 2003 between Phoenix HK and ATVE the supply of programmes from ATVE to Phoenix HK
“ATVE”	ATV Enterprises Limited, a subsidiary of ATV
“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
“Connected Transactions” or “Continuing Connected Transactions”	the transactions set out in the paragraph headed “Continuing Connected Transactions”

“Directors”	the directors of the Company
“EchoStar”	EchoStar Satellite Corporation, the second largest direct-to -home operator in the U.S.
“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 June 2003
“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
“Greater China Region”	Mainland China, Hong Kong, Taiwan and Macau
“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
“News Corporation”	The News Corporation Limited, which is the ultimate holding company of STAR Holdings
“New Star Services Agreement”	the agreement dated 29 May 2003 between STARL and Phoenix HK for the provision of various services for the production and broadcast of the various channels operated by the Group and other services to Phoenix HK
“Old Star Services Agreement”	the agreement dated 15 June 2000 between STARL and Phoenix HK for the provision of various services including, inter alia, the transponder capacity, uplink and downlink services, network services, broadcast operations and engineering services and general services, including access to, and the use of, general office facilities, human resources and administrative services, management information system services and network traffic services
“PCNE Channel”	Phoenix Chinese News and Entertainment Channel, a general entertainment television channel targeting Chinese audience in Europe
“Phoenix HK”	Phoenix Satellite Television Company Limited, a wholly-owned subsidiary of the Company

“Phoenix Chinese Channel”	a general entertainment television channel broadcasting via the ASIASAT 3S satellite and entertains audiences across Asia, South East Asia, Australia and the Middle East
“Phoenix InfoNews Channel”	an infotainment television channel broadcasting via the ASIASAT 3S satellite and entertains audiences across Asia, South East Asia , Australia and the Middle East
“Phoenix Movies”	Phoenix Satellite Television (Movies) Limited, a wholly-owned subsidiary of the Company
“Phoenix Movies Channel”	an encrypted pay-television channel broadcasting via the ASIASAT 3S satellite and targeting audience primarily on the Mainland China
“Phoenix (U.S.)”	Phoenix Satellite Television (U.S.), Inc., a wholly owned subsidiary of the Company
“PNAC Channel”	Phoenix North America Chinese Channel, a general entertainment channel targeting Chinese audience in North America
“Proposed Annual Caps”	shall have the meaning ascribed thereto in item (b) of the paragraph headed “Conditions of Approval”
“Prospectus”	the prospectus of the Company dated 21 June 2000
“Shareholders”	the shareholders of the Company
“STAR Filmed”	Star TV Filmed Entertainment Limited, a wholly owned subsidiary of News Corporation
“STAR Holdings”	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)
“STAR Movies Agreement”	the agreement dated 15 June 2000 between STAR Filmed and Phoenix Movies, a wholly-owned subsidiary of the Company for the grant of a non-exclusive licence to engage in non-standard television exhibition of a certain selection of movies on the Phoenix Movies Channel in the PRC for a term of 10 years commencing from 28 August 1998
“STARL”	Satellite Television Asian Region Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of STAR Holdings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Today’s Asia”	Today’s Asia Limited, a company incorporated in Hong Kong with limited liability, with 93.3% and 6.7% of its issued share capital beneficially owned by Mr. LIU, Changle, the Chairman of the Company and Mr. CHAN, Wing Kee respectively
“U.S.” or “United States”	United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“Waiver”	the waiver granted by the Stock Exchange to the Company 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\$ amounts shown in this announcement have been translated into HK\$ based on the exchange rate of US\$1.00 toHK\$7.8.

By Order of the Board
LIU Changle
Chairman

Hong Kong, 29 May 2003

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.