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鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

鳳凰衛視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8002)

CONTINUING CONNECTED TRANSACTION

Reference is made to an announcement made by the Company on 16 June 2004 regarding the DIRECTV License Agreement.

On 1 March 2005, Phoenix HK, Phoenix US and DIRECTV signed a letter (the “Letter”) pursuant to which Phoenix HK assigned all its rights and obligations under the DIRECTV License Agreement to Phoenix US effective on 1 January 2005 and the DIRECTV License Agreement were extended on its same terms for four months from 1 January 2005 or until the First Amendment became effective, whichever was the earlier.

Also on 1 March 2005, Phoenix US entered into an agreement (“First Amendment”) with DIRECTV pursuant to which Phoenix US granted to DIRECTV the non-exclusive right to distribute Phoenix InfoNews Channel in addition to the Phoenix North America Chinese Channel in North America and the term of the DIRECTV License Agreement was extended for another six months commencing on 5 March 2005.

Pursuant to the First Amendment, DIRECTV has the right to extend, in its sole discretion, the term of the First Amendment for a year but it had chosen to extend on a monthly basis with the view to conclude new terms with Phoenix US regarding the bundling of the Phoenix Channels with other third party channel(s) as DIRECTV might select and in anticipation of the entering into the Second Amendment. In any event, the extension of the First Amendment would not exceed one year after the expiry of its original term.

On 31 August 2005, the relevant percentage ratios for the total license fee received from DIRECTV was first more than 0.1% but less than 2.5% and HK\$1,000,000. The transactions were subject to the reporting and announcement requirements set out in Rule 20.45 to 20.47 of the GEM Listing Rules but were exempted from the independent shareholders' approval requirements under Rule 20.48 of the GEM Listing Rules. However, no announcement was made by the Company at the material time. The Company has inadvertently breached the GEM Listing Rules for failing to comply with the announcement requirements set out in Rule 20.47 of the GEM Listing Rules and the Stock Exchange has reserved its rights to take appropriate action against the Company and/or its directors regarding the breach. The Company will shortly comply with the reporting requirements set out in Rule 20.45 and 20.46 of the GEM Listing Rules.

On 25 January 2006, Phoenix US and DIRECTV, Inc. (“DIRECTV”) entered into an agreement to extend the term of the DIRECTV License Agreement for 3 years from 25 January 2006 and to amend and supplement certain material terms of the DIRECTV License Agreement, such as the right to bundle the Phoenix Channels with other third party channel(s) selected by DIRECTV, the calculation of license fees in respect of such bundles and the marketing support contribution and reimbursement to be provided by Phoenix US to DIRECTV.

The transactions contemplated constitute continuing connected transactions under Rule 20.34 of the GEM Listing Rules and are subject to the reporting and announcement requirements pursuant to Rule 20.45 to 20.47 of the GEM Listing Rules and the annual review requirements pursuant to Rule 20.37 to 20.40 of the GEM Listing Rules.

1. BACKGROUND

Reference is made to an announcement made by the Company on 16 June 2004 regarding the DIRECTV License Agreement.

On 30 October 2000, Phoenix HK entered into the DIRECTV License Agreement with DIRECTV. Under the DIRECTV License Agreement, DIRECTV obtained from Phoenix the non-exclusive right to distribute the Phoenix North America Chinese Channel via its direct broadcast service satellite-delivered television system in North America and DIRECTV should pay to Phoenix HK a monthly licensee fee in U.S. Dollars in an amount equal to a percentage ranging from 40% to 50%, which progresses according to the number of the Service Subscribers, of the gross receipts obtained by DIRECTV from the Service Subscribers. The initial term of the DIRECTV License Agreement expired on 22 November 2002 and was then extended on a month-to-month basis by a unilateral letter issued by DIRECTV. By a further letter dated 15 June 2004, Phoenix HK and DIRECTV agreed to terminate the monthly renewal arrangement and extend the term of the DIRECTV License Agreement for six months from 1 July 2004.

On 1 March 2005, Phoenix HK, Phoenix US and DIRECTV signed a letter (the “Letter”) pursuant to which Phoenix HK assigned all its rights and obligations under the DIRECTV License Agreement to Phoenix US effective on 1 January 2005 with the consent of DIRECTV (both Phoenix HK and Phoenix US are the wholly-owned subsidiaries of the Company) and the DIRECTV License Agreement was extended on its same terms for four months from 1 January 2005 or until the First Amendment became effective, whichever was the earlier.

Also on 1 March 2005, Phoenix US entered into an agreement (“First Amendment”) with DIRECTV pursuant to which Phoenix US granted to DIRECTV the non-exclusive right to distribute Phoenix InfoNews Channel in addition to the Phoenix North America Chinese Channel via DIRECTV’s direct broadcast service satellite-delivered television system in North America and the term of the DIRECTV License Agreement was extended for another six months commencing on 5 March 2005, being the date upon which DIRECTV commenced commercial distribution of Phoenix InfoNews Channel and the effective date of the First Amendment.

Despite the addition of one more channel, the subscription price for the two Phoenix Channels charged by DIRECTV had been substantially reduced as compared with the subscription price previously charged for the single channel. DIRECTV has the right to determine the subscription price under the DIRECTV License Agreement and such right has not been changed by the First Amendment. The granting of the distribution right of an additional channel to DIRECTV and the reduction of subscription price were the means to stop losing existing subscribers due to the very competitive market situation at that time. The calculation method of the monthly license fee for the two Phoenix Channels was the same as the single channel. Thus, the management of the Company did not expect any material growth of license fee after the execution of the First Amendment.

In addition, certain terms have been redefined or re-phrased due to the inclusion of the Phoenix InfoNews Channel but the essence of such terms had not been materially changed.

No announcement was made in respect of the Letter and the First Amendment as at the time of the renewal on 1 March 2005, the relevant percentage ratios for the license fee received from DIRECTV was less than 0.1% and HK\$1,000,000.

Pursuant to the First Amendment, DIRECTV has the right to extend, in its sole discretion, the term of the First Amendment for a year but it had chosen to extend on a monthly basis with the view to conclude new terms with Phoenix US regarding the bundling of the Phoenix Channels with other third party channel(s) as DIRECTV might select and in anticipation of the entering into the Second Amendment. In any event, the extension of the First Amendment would not exceed one year after the expiry of its original term.

On 31 August 2005, the relevant percentage ratios for the total license fee received from DIRECTV was first more than 0.1% but less than 2.5% and HK\$1,000,000. The transactions were then subject to the reporting and announcement requirements set out in Rule 20.45 to 20.47 of the GEM Listing Rules but were exempted from the independent shareholders' approval requirements under Rule 20.48 of the GEM Listing Rules. However, no announcement was made by the Company at the material time. The Company has inadvertently breached the GEM Listing Rules for failing to comply with announcement requirements set out in 20.47 of the GEM Listing Rules and the Stock Exchange has reserved its rights to take appropriate action against the Company and/or its directors regarding the breach. The Company will shortly comply with the reporting requirements set out in 20.45 and 20.46 of the GEM Listing Rules.

On 25 January 2006, Phoenix US entered into another agreement with DIRECTV pursuant to which certain material terms of the DIRECTV License Agreement have been supplemented and/or amended (“Second Amendment”).

2. SECOND AMENDMENT

Date

25 January 2006

Parties

- (1) Phoenix US
- (2) DIRECTV

Term

The term of the DIRECTV License Agreement has been extended for 3 years commencing from 25 January 2006 (the “Extension Term”).

Rights

DIRECTV shall package and price the Phoenix North America Chinese Channel and Phoenix InfoNews Channel in a program package(s) (residential or otherwise) with other third party channel(s) or on an a la carte basis as DIRECTV may determine in its sole discretion; provided that DIRECTV shall consult with Phoenix US concerning packaging of the Phoenix Channels with DIRECTV having the final decision in connection therewith.

Marketing Support Contribution

- (1) For the first twelve (12) month period of the Extension Term, Phoenix US shall contribute funds to support the marketing, advertising and promotion of the Phoenix Channels in the amount of US\$37,500, which is an one-off payment and shall be paid within seven (7) days of receipt of invoice from DIRECTV. Upon reasonable request by Phoenix US, DIRECTV shall inform Phoenix US of the marketing strategy for the Phoenix Channels. DIRECTV shall spend no less than the amount of the aforementioned contribution for the marketing, advertising and promotion of the Phoenix Channels.

- (2) Within seven (7) days of receipt of invoice from DIRECTV, Phoenix US shall pay US\$37,500 to DIRECTV as reimbursement of the marketing, advertising and promotion expenses incurred by DIRECTV for the Phoenix Channels in 2005.

Consideration

DIRECTV shall pay to Phoenix US a license fee in U.S. Dollars on a monthly basis within sixty (60) days from the end of each fiscal month, calculated in accordance with the following (different combinations have different calculation methods):

- (i) in respect of subscription of the Phoenix Channels or any one of them on an a la carte basis, a percentage ranging from 40% to 50% of the gross receipts obtained by DIRECTV from the Service Subscribers who subscribe for such a la carte service, which progresses according to the number of such Service Subscribers;
- (ii) in respect of subscription of the Phoenix Channels or any one of them packaged with one other third party programming service, a fixed fee per Service Subscriber who subscribes to such package for each of the Phoenix Channels; and
- (iii) in respect of subscription of the Phoenix Channels or any one of them packaged with two or more other third party programming services, a fixed fee per Service Subscriber who subscribes to such package for each of the Phoenix Channels.

The calculation methods of the license fee, including the fixed fee for the packages described in (ii) and (iii) above, had been agreed after arm's length negotiations between the parties and were determined in accordance with normal commercial terms and with reference to terms offered by DIRECTV to independent third parties, and the overall terms offered by Phoenix US to DIRECTV are no less favourable to Phoenix than those terms offered by Phoenix to independent third parties for the grant of similar rights in the United States.

HISTORICAL FIGURES AND REVISION OF ANNUAL CAP

The amount of service fees received from DIRECTV by Phoenix for the year ended 31 December 2004, nine months ended 30 September 2005 and year ended 31 December 2005 were approximately HK\$2,309,000, HK\$1,363,000 and HK\$1,751,000 respectively. The fall of the license fee received in 2005 as compared with the figure of 2004 was mainly due to the very competitive market situation since the end of 2004 and the reduction of the subscription price of the Phoenix Channels by DIRECTV in 2005.

The Directors believe that the cap for the fees received by Phoenix from DIRECTV in relation to the transactions under the DIRECTV License Agreement (as amended by the First Amendment and the Second Amendment) will not exceed HK\$4,000,000 per annum which is based on the historical amounts, the estimation of the potential growth of Service Subscribers and the potential additional income source from the packaging of the Phoenix Channels with other programming service(s).

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

DIRECTV is the largest provider of direct-to-home digital television services in the United States (based on number of subscribers). By entering into the DIRECTV License Agreement and the subsequent amendment agreements, Phoenix would be able to continue to tap into the US pay TV market.. The terms of the First Amendment and the Second Amendment have been negotiated on an arm's length basis.

The Directors believe that the terms of the DIRECTV License Agreement, as extended by the Letter, and amended by the First Amendment and Second Amendment 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 best interests of the Company and Shareholders as a whole.

INFORMATION ON THE COMPANY

The Company, is a Hong Kong-based television broadcaster. Phoenix's channels include Phoenix Chinese, Phoenix Movies, Phoenix InfoNews, Phoenix Chinese News and Entertainment and Phoenix North America Chinese channels, which together broadcast to audiences in the Asia Pacific, as well as in Europe, North America and North Africa, covering more than 100 countries and regions. The Company also operates www.phoenixtv.com website and Phoenix weekly magazine to diversify its business to non broadcast media.

INFORMATION ON DIRECTV

The DIRECTV Group is a leading provider of digital television entertainment in the United States and Latin America and the largest provider of direct-to-home digital television services in the United States. As of 31 December 2004, DIRECTV had approximately 13.9 million subscribers.

CONTINUING CONNECTED TRANSACTIONS

Phoenix US is an indirect wholly-owned subsidiary of the Company. DIRECTV is approximately 34% owned by News Corporation, which is the ultimate holding company of Xing Kong Chuan Mei. Xing Kong Chuan Mei, which owns approximately 37.5% interest in the Company, is the initial management shareholder and substantial shareholder of the Company (as defined in the GEM Listing Rules). Accordingly, DIRECTV is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

The transactions contemplated constitute continuing connected transaction under Rule 20.34 of the GEM Listing Rules and are subject to the reporting and announcement requirements pursuant to Rule 20.45 to 20.47 of the GEM Listing Rules and the annual review requirements pursuant to Rule 20.37 to 20.40 of the GEM Listing Rule.

GENERAL

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

DEFINITIONS

“associate”	shall have the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“Company” or “Phoenix”	Phoenix Satellite Television Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	The director(s) of the Company, including independent non-executive directors
“DIRECTV”	DIRECTV, INC. is 100% indirectly owned by The DIRECTV Group, Inc. (formerly known as Hughes Electronics Corporation). The DIRECTV Group, Inc. is approximately 34% owned by Fox Entertainment Group, Inc. which is 100% owned by News Corporation. News Corporation indirectly owns 100% of Xing Kong Chuan Mei
“DIRECTV License Agreement”	the affiliation and license agreement for direct broadcast service satellite exhibition of programming between Phoenix HK and DIRECTV dated 30 October 2000. By a letter signed by Phoenix HK, Phoenix US and DIRECTV on 1 March 2005, Phoenix HK assigned all its rights and obligations under this agreement to Phoenix US effective on 1 January 2005
“Extension Term”	The term of the Second Amendment which is 3 years commencing from 25 January 2006
“First Amendment”	The amendment to the DIRECTV License Agreement entered into between Phoenix US and DIRECTV on 1 March 2005
“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
“Letter”	the letter signed by Phoenix HK, Phoenix US and DIRECTV on 1 March 2005
“News Corporation”	News Corporation, which is the ultimate holding company of Xing Kong Chuan Mei
“Phoenix Channels”	Phoenix North America Chinese Channel and Phoenix InfoNews Channel

“Phoenix HK”	Phoenix Satellite Television Company Limited, an indirect wholly-owned subsidiary of the Company
“Phoenix InfoNews Channel”	a news television channel operated by the Group and targeting Chinese audiences across Asia, South East Asia, Australia, the Middle East and North America
“Phoenix North America Chinese Channel”	a general entertainment channel operated by the Group and targeting Chinese audiences in North America
“Phoenix US”	Phoenix Satellite Television (U.S.), Inc., an indirect wholly-owned subsidiary of the Company
“Second Amendment”	The second amendment to the DIRECTV License Agreement entered into between Phoenix US and DIRECTV on 25 January 2006
“Service Subscriber(s)”	Those customer(s) authorized by DIRECTV to receive the Phoenix North America Chinese Channel and/or Phoenix InfoNews Channel via DIRECTV’s direct broadcast service satellite-delivered television system. Phoenix InfoNews Channel was available to the Service Subscribers from 5 March 2005
“Shareholders”	The shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	shall have the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“Xing Kong Chuan Mei”	Xing Kong Chuan Mei Group Co., Ltd., formerly known as STAR Television Holdings Limited, which owns approximately 37.5% interest in the Company, is the initial management shareholder and substantial shareholder of the Company (as defined in the GEM Listing Rules)

By Order of the Board
Liu Changle
Chairman

Hong Kong, 7 February 2006

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.

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