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: 02008)

DISCLOSEABLE TRANSACTION INVOLVING (1) ISSUE OF SERIES A PREFERRED SHARES BY PHOENIX NEW MEDIA (2) ACQUISITION OF ECONOMIC INTERESTS IN TIANYING AND YIFENG BY PHOENIX NEW MEDIA AND

RESUMPTION OF TRADING

The Directors are pleased to announce that on 9 November 2009, Phoenix New Media, a 99.27% indirectly-owned subsidiary of the Company, entered into the Purchase Agreement with the Investors, whereby subject to the satisfaction of certain closing conditions, the Investors will subscribe for and purchase, and Phoenix New Media will issue, the Series A Preferred Shares for an aggregate subscription price of US$25,000,000 (approximately HK$195,000,000). Upon Closing, the shareholding of the Company in Phoenix New Media will be diluted from approximately 99.27% to approximately 70.74%, such dilution of approximately 28.53% constitutes a deemed disposal of interest in Phoenix New Media by the Company pursuant to Rule 14.29 of the Listing Rules. The Series A Preferred Shares represent approximately 23.81% of the issued share capital of Phoenix New Media as enlarged by the allotment and issue of the Series A Preferred Shares and of all Ordinary Shares which fall to be issued upon grant (if any) of the maximum number of options under the share option scheme of Phoenix New Media permitted under the Listing Rules, on a as-converted and fully diluted basis. Please refer to the sub-section headed "Financial effects of the Subscription" in the section headed "The Purchase Agreement" of this announcement for the financial impact of the issue of the Series A Preferred Shares.

It is a condition of the Purchase Agreement that the Phoenix New Media Group enter into the Acquisitions pursuant to which the Phoenix New Media Group will enjoy the economic benefits of Tianying and Yifeng. The results of Tianying and Yifeng will be consolidated into the accounts of the Company as a result of the Acquisitions.

As the Transaction involves both an acquisition (the Acquisitions) and a disposal (deemed disposal as a consequence of the Subscription), pursuant to Rule 14.24 of the Listing Rules, the Transaction is classified by reference to the Acquisitions being the larger of the two. As the relevant percentage ratio is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

At the request of the Company, trading in the shares of the Company was suspended with effect from 10:00 a.m. on Monday, 9 November 2009, pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading with effect from 2:30 p.m. on Monday, 9 November 2009.

THE PURCHASE AGREEMENT

The Directors are pleased to announce that on 9 November 2009, Phoenix New Media, a 99.27% indirectly-owned subsidiary of the Company, entered into the Purchase Agreement with the Investors, whereby subject to the satisfaction of certain closing conditions, the Investors will subscribe for and purchase, and Phoenix New Media will issue, the Series A Preferred Shares for an aggregate subscription price of US$25,000,000 (approximately HK$195,000,000), payable in cash at Closing. The Series A Preferred Shares represent (i) approximately 40.33% of the existing issued share capital of Phoenix New Media; (ii) approximately 28.74% of the issued share capital of Phoenix New Media as enlarged by the allotment and issue of the Series A Preferred Shares; and (iii) approximately 23.81% of the issued share capital of Phoenix New Media as enlarged by the allotment and issue of the Series A Preferred Shares and of all Ordinary Shares which fall to be issued upon grant (if any) of the maximum number of options under the share option scheme of Phoenix New Media permitted under the Listing Rules, on a as-converted and fully diluted basis.

Further details of the Purchase Agreement are set out below:

Date: 9 November 2009

Parties:

(1) Phoenix New Media, as issuer
(2) the Investors, as subscribers
(3) the Company and Phoenix BVI Holding, as existing shareholders
(4) Tianying
(5) Yifeng
(6) Fenghuang On-line
(7) Phoenix Satellite Television Information Limited, the direct sole shareholder of Fenghuang On-line, and itself a direct wholly-owned subsidiary of Phoenix New Media

Principal terms of the Series A Preferred Shares

Issue price:	US$0.1923 per Series A Preferred Share. The issue price was determined on an arm's length basis between the Investors and Phoenix New Media taking into account the valuation of companies engaged in similar businesses, the historical performance of the Phoenix New Media Group, and the potential of the Phoenix New Media Group and the new media business in general.
Conversion:	Each Series A Preferred Share is convertible at any time into an Ordinary Share initially on the basis of 1:1, with customary adjustments for share issues, share splits and other share capital changes, and a performance valuation adjustment which is capped at 1:1.33.
Redemption:	The Series A Preferred Shares are redeemable by Phoenix New Media at the option of the Investors at any time following 31 December 2013 for a redemption price at the greater of (x) the subscription price plus an agreed return thereon, plus all declared and unpaid dividends or (y) the independently appraised fair market value.
Early redemption:	Certain decisions or actions taken with respect to the operations of PNM Group without the consent of the Investors shall give rise to an early and immediate redemption right to the holders of the Series A Preferred Shares, including departure from the current dividend policy of Phoenix New Media.
Ranking:	The rights, preferences or priorities of the Series A Preferred Shares shall not be subordinated and shall at all times be at least equal to the rights, preferences or priorities granted to all the other existing or future shareholders, except with the consent of the holders of more than two-thirds (2/3) of the then outstanding Series A Preferred Shares. Shares which fall to be issued upon conversion of Series A Preferred Shares, when allotted and issued, will rank *pari passu* in all respects with all Ordinary Shares then in issue.
Transferability:	The Series A Preferred Shares are freely transferable except to certain competitors of Phoenix New Media and connected persons of the Company.
Voting rights:	Each Series A Preferred Share will entitle its holder to the same voting rights as a holder of an Ordinary Share on an as-converted basis.

Veto rights: Certain actions with respect to the Phoenix New Media Group require the approval of the holders of more than two-thirds of Series A Preferred Shares, including:

(i) any amendment, modification or change of any rights, preferences, privileges or powers of, or any restrictions provided for the benefit of, the holders of Series A Preferred Shares;

(ii) issuance of securities having any right, preference or priority superior to or on a parity with the Series A Preferred Shares;

(iii) repurchase or redemption of shares, stock splits, share consolidation or stock dividend, reclassification or other forms of restructuring of share capital;

(iv) change of any provision of the constitutional documents of any member of the Phoenix New Media Group;

(v) any change in the business scope or nature of the business of the Phoenix New Media Group;

(vi) merger, amalgamation, sale, consolidation of or other forms of restructuring, liquidation, dissolution or winding up of any member of the Phoenix New Media Group;

(vii) public offering of any debt or equity securities of any member of the Phoenix New Media Group;

(viii) transactions between any member of the Phoenix New Media Group and any of its shareholders, directors, officers, employees or other insiders and any of their family members or affiliates other than transactions occurring in the ordinary course of business and on an arm's-length basis and upon full disclosure in writing to the holders of Series A Preferred Shares;

(ix) creation of any mortgage, pledge, lien, charge on all or any assets or rights of the Phoenix New Media Group, incurrence of indebtedness or liability, or provision of guarantees, in excess of an agreed amount and not provided for in the annual budget;

(x) change in the number of the board of directors of any member of the Phoenix New Media Group;

(xi) appointment or removal of the auditors of any member of the Phoenix New Media Group; and the determination of their fees, remuneration or other compensation; and

(xii) any extraordinary increase in remuneration, compensation or other benefits (excluding employees' share options) of any of the five (5) most highly compensated employees of the Phoenix New Media Group.

Preference to dividends: Upon approval of the board of directors of Phoenix New Media, the Series A Preferred Shares will be entitled to receive in preference to any payment on the Ordinary Shares, preferential non-cumulative dividends at the rate of 8% of the issue price, on an annual basis.

Preference upon liquidation: Upon liquidation or similar events of Phoenix New Media, holders of the Series A Preferred Shares shall receive in preference to holders of Ordinary Shares up to an amount equal to 130% of the original issue price plus all declared and unpaid dividends thereon.

Closing and conditions precedent

Closing of the Subscription is subject to, among others, the following conditions:

(i) submission of a budget with scheduled use of the proceeds from the Subscription and other details satisfactory to the Investors;

(ii) completion of due diligence;

(iii) no event, circumstance or change shall have occurred which have had or reasonably could be expected to have a material adverse effect on the Phoenix New Media Group;

(iv) all corporate actions in connection with the transactions contemplated at Closing having been taken to the reasonable satisfaction of the Investors;

(v) all authorizations, approvals, waivers or permits necessary for the consummation of all transactions contemplated by the Purchase Agreement and ancillary documents having been obtained;

(vi) legal opinions from Cayman and PRC counsels in agreed form having been obtained;

(vii) representations and warranties made by all parties to the Purchase Agreement being true, complete and correct;

(viii) Phoenix New Media having worked out a plan acceptable to the Investors as to treatment of exercise of options granted under the share option scheme of the Phoenix New Media;

(ix) the Company and Fenghuang On-line having entered into an exclusive cooperation agreement pursuant to which the Company authorizes Fenghuang On-line to conduct all new media business of the Group exclusively;

(x) the board of directors of Phoenix New Media shall be constituted as contemplated in the Purchase Agreement;

(xi) each Investor's investment committee approval having been obtained;

(xii) certain agreed form documents referred to in the Purchase Agreement having been executed and delivered, including a shareholders' agreement;

(xiii) Tianying and Yifeng having updated and made certain filings in respect of their business;

(xiv) the Tianying Domain Name Licence Agreement, the Tianying Contents Licence Agreement and the Tianying Trade Mark Licence Agreement having been entered into in the agreed form; and

(xv) the Yifeng Contents Licence Agreement and the Yifeng Trade Mark Licence Agreement having been entered into in the agreed form.

Closing will occur on a date to be agreed, which date shall be no later than five Hong Kong and Beijing business days after the satisfaction or waiver of each condition to the Closing. The Investors may terminate the Purchase Agreement if the Closing does not occur within 30 days of the date of the Purchase Agreement, unless extended by the mutual consent between Phoenix New Media and the Investors.

Other material terms

Pursuant to the terms of the Purchase Agreement, the parties thereto will at Closing enter into a shareholders' agreement to govern certain shareholders' rights in Phoenix New Media.

Pursuant to such shareholders' agreement, the board of directors of Phoenix New Media will initially consist of five directors, of which Morningside has the right to elect, remove and replace one for so long as it holds not less than three percent. of the shares of Phoenix New Media in issue on an as-converted basis. So long as Intel Capital holds three percent. or more of the shares of Phoenix New Media in issue on an as-converted basis, Intel Capital has the right to elect, remove and replace one director, in which case, the total number of directors of Phoenix New Media shall be increased to seven with the remaining director to be appointed by the Company. The Investors also have rights to appoint a certain number of non-voting observers to the board of directors of Phoenix New Media.

The shareholders' agreement also provide for transfer restrictions, rights of first offer and refusal, co-sale rights, drag-along rights for qualified initial public offerings, registration rights, and other rights and obligations which are customary for similar transactions.

Financial effects of the Subscription

Upon Closing, the shareholding of the Company in Phoenix New Media will be diluted from approximately 99.27% to approximately 70.74%, and the Investors will collectively hold approximately 28.74% of the issued share capital of Phoenix New Media as enlarged by the allotment and issue of the Series A Preferred Shares, such dilution of approximately 28.53% constitutes a deemed disposal of interest in Phoenix New Media by the Company pursuant to Rule 14.29 of the Listing Rules.

For accounting purposes, prior to conversion into Ordinary Shares, the Series A Preferred Shares are treated as a compound financial instrument with a debt component, a derivative component and an equity component. Prior to conversion into Ordinary Shares, interest and redemption premium expenses related to the debt component will be accrued and the derivative component will be fair valued at each balance sheet date with the changes in fair value being reflected in the consolidated income statement of the Company. Upon conversion into Ordinary Shares, any gain/loss on the dilution of the Company's equity interests in Phoenix New Media will be reflected in the consolidated income statement of the Company.

Phoenix New Media will continue to be a subsidiary of the Company after Closing, and also upon full conversion of the Series A Preferred Shares even with the performance valuation adjustment. The net proceeds of the Subscription will be for general working capital, business expansion, capital expenditure and other general corporate purposes for the Phoenix New Media Group.

THE ACQUISITIONS

It is a condition of the Purchase Agreement that the Phoenix New Media Group enter into the Acquisitions pursuant to which the Phoenix New Media Group will enjoy the economic benefits of Tianying and Yifeng.

TIANYING CONTRACTUAL ARRANGEMENTS

(a) Tianying Loan Agreement

Date:	On or before 31 December 2009
Parties:	(1) Fenghuang On-line, as lender (2) Mr. QIAO, as borrower (3) Mr. GAO, as borrower Mr. QIAO is a senior consultant of Fenghuang On-line. Mr. GAO is the finance director of Fenghuang On-line. Mr. QIAO and Mr. GAO hold options granted under the share option scheme of Phoenix New Media, but not in such amounts as would result in either of them holding more than 1% of the total number of Ordinary Shares in issue of Phoenix New Media upon full exercise of such options. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Mr. QIAO and Mr. GAO is an independent third party who is (i) not connected with any of the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (ii) not a connected person of the Company as defined in the Listing Rules.

Principal Terms:

(i) Fenghuang On-line will lend the respective sums of RMB5,100,000 (approximately HK$5,814,000) and RMB4,900,000 (approximately HK$5,586,000) to Mr. QIAO and Mr. GAO respectively. The loan amounts correspond to Mr. QIAO's and Mr. GAO's respective equity interest in Tianying.

(ii) The loans do not carry any interest. The term of the loans is ten years, which may be extended upon mutual agreement.

(iii) Fenghuang On-line may at its absolute discretion upon giving 30 days' prior written notice to Mr. QIAO and/or Mr. GAO (as the case may be), require either one or both of them to repay part or the whole of the outstanding loan(s). Fenghuang On-line shall be entitled to require the relevant borrower(s) to transfer his/their corresponding equity interest in Tianying to Fenghuang On-line or its designee in lieu of repayment of such part of the loan(s). The percentage of the equity interest in Tianying to be transferred shall be equal to the percentage obtained by dividing the part of the loan to be repaid by the principal of the loan.

(iv) Mr. QIAO and/or Mr. GAO (as the case may be) may upon giving 30 days' prior written notice to Fenghuang On-line, repay part or the whole of the outstanding loan(s). Repayment shall only be made by way of transfer of the corresponding equity interest of the relevant borrower(s) in Tianying to Fenghuang On-line or its designee. The percentage of the equity interest in Tianying to be transferred shall be equal to the percentage obtained by dividing the part of the loan to be repaid by the principal of the loan.

The Phoenix New Media Group will satisfy the loans under the Tianying Loan Agreement from its internal resources or funds.

(b) Tianying Equity Pledge Agreement

Date: On or before 31 December 2009

Parties:

(1) Fenghuang On-line, as chargee
(2) Mr. QIAO, as chargor
(3) Mr. GAO, as chargor

Principal Terms:

(i) Each of Mr. QIAO and Mr. GAO pledges his respective equity interest in Tianying (including future additional equity interest, dividends and distributions of profit, if any) to Fenghuang On-line to secure (x) the performance of the obligations of Mr. QIAO and Mr. GAO under the Tianying Loan Agreement, the Tianying Exclusive Option Agreement, the Tianying Voting Right Entrustment Agreement and the Tianying Equity Pledge Agreement respectively; (y) the performance of the obligations of Tianying under the Tianying Exclusive Option Agreement, the Tianying Voting Right Entrustment Agreement and the Tianying Exclusive Technical Services Agreement respectively; and (z) the performance of the repayment obligations of the Tianying Secured Indebtedness.

(ii) The Tianying Equity Pledge Agreement shall take effect upon execution and remain in force and effect until full performance of all the obligations and full settlement of all the secured obligations set out in paragraph (i) above.

(c) Tianying Exclusive Option Agreement

Date: On or before 31 December 2009

Parties:

(1) Mr. QIAO, as grantor
(2) Mr. GAO, as grantor
(3) Tianying
(4) Fenghuang On-line, as grantee

Principal Terms:

(i) Mr. QIAO and Mr. GAO irrevocably and unconditionally grant an exclusive option to Fenghuang On-line which enables Fenghuang On-line or its designated entity or person to acquire from each of them his entire equity interest in Tianying as and when allowed under the PRC laws, rules and regulations.

(ii) So far as permitted under the PRC laws, rules and regulations, Fenghuang On-line shall, in its absolute discretion, be entitled to determine the timing, mode and number of occasions to exercise the option.

(iii) The purchase price of equity interest in Tianying payable on each exercise of the option will be the paid-up amount of the relevant equity interest or the lowest consideration permitted by applicable PRC laws (if any). Fenghuang On-line may offset the purchase price against liabilities of the grantors owing to Fenghuang On-line (including loans outstanding under the Tianying Loan Agreement).

(iv) The Tianying Exclusive Option Agreement shall take effect upon the date of execution by the parties and shall expire upon all the equity interest of Mr. QIAO and Mr. GAO in Tianying being transferred to Fenghuang On-line and/or its designated entities or persons.

(d) Tianying Voting Right Entrustment Agreement

Date: On or before 31 December 2009

Parties:

(1) Fenghuang On-line
(2) Tianying
(3) Mr. QIAO, as entrustor
(4) Mr. GAO, as entrustor

Principal Terms:

(i) Each of Mr. QIAO and Mr. GAO irrevocably entrusts an individual to be designated by Fenghuang On-line with full power and authority to exercise the following shareholders' rights with respect to their equity interest in Tianying:–

1. to attend the shareholders' meetings of Tianying as proxy of Mr. QIAO and Mr. GAO;

2. to represent Mr. QIAO and Mr. GAO to exercise the voting rights on all matters that need to be discussed and resolved at shareholders' meetings;

3. to propose to convene provisional shareholders' meetings;

4. to exercise the voting rights of any shareholder prescribed by law; and

5. to exercise any other shareholder's voting rights under the articles of association of Tianying.

(ii) Fenghuang On-line has the right to nominate any entity or individual to exercise the entrusted rights.

(iii) The Tianying Voting Right Entrustment Agreement shall take effect upon the date of execution by the parties and shall be binding on Mr. QIAO and Mr. GAO respectively for so long as he remains as a shareholder of Tianying.

(e) Tianying Exclusive Technical Services Agreement

Date: On or before 31 December 2009

Parties:
(1) Fenghuang On-line
(2) Tianying

Principal Terms:

(i) Tianying appoints Fenghuang On-line as its exclusive service provider to provide technical services in respect of its mobile value-added telecommunications business, Internet contents provision business, Internet advertising business, and training and consultancy services which are from time to time required by Tianying for the operation and development of its business.

(ii) Fenghuang On-line shall be entitled to appoint any competent third party to provide any services under the Tianying Exclusive Technical Services Agreement to Tianying.

(iii) Tianying shall pay Fenghuang On-line service fees on a monthly basis which shall be calculated at a designated percentage of Tianying's annual turnover notified by Fenghuang On-line in writing. Adjustment will be made to the service fees paid by Tianying in any year if there is discrepancy between Tianying's actual audited annual turnover and unaudited turnover of that year.

(iv) The Tianying Exclusive Technical Services Agreement shall take effect upon the execution by the parties and shall continue indefinitely unless terminated by Fenghuang On-line.

(f) Tianying Domain Name Licence Agreement

Date: On or before Closing

Parties:
(1) Phoenix HK, as licensor
(2) Tianying, as licensee

Principal Terms:

(i) Phoenix HK licenses www.phoenixtv.com, www.phoenixtv.com.cn and certain internet addresses to Tianying for use by Tianying in the operation of Tianying's businesses for a nominal licence fee.

(ii) The Tianying Domain Name Licence Agreement shall take effect upon the execution by the parties and shall, subject to earlier termination by Phoenix HK by giving Tianying not less than three months' notice, be valid for a term of five years which is renewable for such further term as agreed by the parties.

(g) Tianying Trade Mark Licence Agreement

Date: On or before Closing

Parties:
(1) Phoenix Trademark, as licensor
(2) Tianying, as licensee

Principal Terms:

(i) Phoenix Trademark grants a non-exclusive licence to Tianying to use the Group's trade marks in respect of Phoenix Network Logo, Phoenix InfoNews Logo, Phoenix Movie Logo, Phoenix New Media name and logo, 鳳凰網 ifeng.com, ifeng and other registered trademarks, for the operation and development of Tianying's Internet services business in the PRC.

(ii) Tianying shall pay Phoenix Trademark an annual royalty in the amount of US$7,000. Phoenix Trademark may at its discretion waive the royalty payable by Tianying.

(iii) The Tianying Trade Mark Licence Agreement shall take effect upon the execution by the parties and shall be valid for a term of five years which is renewable for such further term as agreed by the parties.

(h) Tianying Contents Licence Agreement

Date:	On or before Closing
Parties:	(1) Phoenix HK, as licensor (2) Tianying, as licensee
Principal Terms:	(i) Phoenix HK licenses to Tianying the contents of various programs that Phoenix HK has the online copyright to, for use on the websites www.ifeng.com, www.phoenixtv.com, www.phoenixtv.com.cn and other Phoenix HK approved websites which are operated and managed by Tianying, and to provide contents to mobile networks. (ii) Service fees payable under the Tianying Contents Licence Agreement shall be with reference to the turnover of Tianying plus a fixed annual amount. (iii) The Tianying Contents Licence Agreement shall take effect upon execution by the parties for an initial term of five years which is renewable for such further term as agreed by the parties.

YIFENG CONTRACTUAL ARRANGEMENTS

The terms of Yifeng Contractual Arrangements are the same as that of the Tianying Contractual Arrangements except:

(1) The registered share capital of Yifeng (also RMB10,000,000) is held as to 60% by Mr. HE and as to 40% by Ms. LIU, with corresponding differences to the breakdown of loan amount, equity interest pledged, equity interest subject to exclusive option and voting right entrustment. Mr. HE is manager of the administration department of Fenghuang On-line, and holds options granted under the share option scheme of Phoenix New Media in respect of less than 0.1% of the total number of Ordinary Shares in issue of Phoenix New Media. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Mr. HE and Ms. LIU is an independent third party who is (i) not connected with any of the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (ii) not a connected person of the Company as defined in the Listing Rules.

(2) The services to be provided by Fenghuang On-line to Yifeng under the Yifeng Exclusive Technical Services Agreement are technical services in respect of its mobile value-added telecommunications business, Internet (via mobile phone) advertising business and training and consultancy services which are from time to time required by Yifeng for the operation and development of its business.

(3) There is no domain name licence agreement for Yifeng.

(4) The annual royalty payable by Yifeng under the Yifeng Trade Mark Licence Agreement is US$3,000.

(5) The Yifeng Contents Licence Agreement is for use by Yifeng in its business of Category II Value-Added Telecommunications Services contents provider.

FINANCIAL EFFECTS OF THE ACQUISITIONS

As a result of the Acquisitions, Tianying and Yifeng will be treated as indirect wholly-owned subsidiaries of the Company for accounting purposes with their respective results being consolidated into the accounts of the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Reasons for and benefits of the Subscription

Phoenix New Media carries on the business of new media (provision of website portal and value-added telecommunications services), an industry in which private equity and venture capital plays an important role in nurturing and developing investee companies. The Subscription will broaden the shareholder base of Phoenix New Media, and expose the Phoenix New Media Group to industry developments, technology innovations, and strategic, management, financial and corporate governance initiatives, which management believes will benefit Phoenix New Media Group. Further, with the funding squeeze brought about by the global financial crisis, the Subscription will make available to Phoenix New Media a significant amount of immediately available funds without the immediate interest payments which debt financing would incur. Please refer to the sub-section headed "Financial effects of the Subscription" in the section headed "The Purchase Agreement" of this announcement for the financial impact of the issue of the Series A Preferred Shares.

Reasons for and benefits of the Acquisitions

Tianying's principal business is providing Internet contents and mobile value-added telecommunications services in the PRC, and has been a cooperation partner of the Group since inception of its new media business. Yifeng's principal business is providing mobile value-added telecommunications services in the PRC. According to the Administrative Regulations on Foreign Investment Telecommunication Business Enterprises (外商投資電信企業管理規定), foreign investors are not allowed to hold more than 50% equity interest in a PRC enterprise which engages in telecommunications businesses. It is a condition to the Subscription by the Investors that the Phoenix New Media Group gain the fullest control over Tianying and Yifeng currently permitted by PRC law. Through the Acquisitions, the Group will be able to govern the financial and operating policies of Tianying and Yifeng, and enjoy all of the corresponding economic benefits. The Acquisitions will fully and legally capture business opportunities in an otherwise restricted business.

View of the Directors

The Directors (including the independent non-executive Directors) consider that the terms of the Transaction are fair and reasonable and that the Transaction is in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE INVESTORS

Morningside is mainly involved in the investment activities in private equity and venture capital investment activities in Mainland China.

Intel Capital, Intel's global investment organization, makes equity investments in innovative technology start-ups and companies worldwide. Intel Capital invests in a broad range of companies offering hardware, software, and services targeting enterprise, home, mobility, health, consumer Internet, semiconductor manufacturing and cleantech. Since 1991, Intel Capital has invested more than US$9 billion in over 1,000 companies in 46 countries. In that timeframe, 174 portfolio companies have gone public on various exchanges around the world and 231 were acquired or participated in a merger. In 2008, Intel Capital invested about US$1.59 billion in 169 investments with approximately 62 percent of funds (excluding Clearwire) invested outside North America. For more information on Intel Capital and its differentiated advantages, visit www.intelcapital.com.

BAI is wholly owned by Bertelsmann AG (Bertelsmann) with its management team resident in Beijing. BAI focuses on early-to-growth stage investments particularly in the new media, education and BPO sectors. As Bertelsmann AG's strategic investment arm in Asia, BAI actively seeks investment and strategic partners in China. Bertelsmann AG is the largest media group in Europe and the fourth largest media group globally. Bertelsmann AG's main businesses include: RTL Group, Europe's No. 1 TV broadcaster; Random House, the world's largest trade book publishing group; Gruner+Jahr, Europe's leading magazine publisher; Arvato AG, one of the world's largest media and communication service providers; and Direct Group, the worldwide leader in book and music clubs.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each Investor and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

INFORMATION ON THE GROUP AND PHOENIX NEW MEDIA

The Group is a satellite television operator, and through its subsidiaries, is a leading satellite television operator broadcasting into the PRC.

Phoenix New Media is an exempted company limited by shares incorporated under the laws of the Cayman Islands with limited liability in 2007 and is currently indirectly owned as to 99.27% by the Company. The balance of the issued share capital of Phoenix New Media is held by employees and consultants of the Phoenix New Media Group who have exercised their options granted under the share option scheme of Phoenix New Media. The Phoenix New Media Group carries on the business of new media (provision of website portal and value-added telecommunications services).

The unaudited profit before and after taxation and minority interests of Phoenix New Media for the financial year ended 31 December 2007 prepared under HKFRS were both nil. The unaudited loss before and after taxation and minority interests of Phoenix New Media for the financial year ended 31 December 2008 prepared under HKFRS were both approximately HK$342,691.

The unaudited net asset value of Phoenix New Media as at 31 December 2008 prepared under HKFRS was approximately HK$31,444,536.

The audited profit before and after taxation and minority interests of Fenghuang On-line for the financial year ended 31 December 2007 prepared under PRC GAAP were both approximately RMB27,856,450 (approximately HK$31,756,353). The audited profit before and after taxation and minority interests of Fenghuang On-line for the financial year ended 31 December 2008 prepared under PRC GAAP were both approximately RMB15,403,543 (approximately HK$17,560,039).

The audited net asset value of Fenghuang On-line as at 31 December 2008 prepared under PRC GAAP was approximately RMB62,319,978 (approximately HK$71,044,775).

INFORMATION ON TIANYING

Tianying is a domestic enterprise established under the laws of the PRC with limited liability in 2000 and is owned as to 51% by Mr. QIAO and 49% by Mr. GAO respectively. The authorised business scope of Tianying includes Internet contents provision (other than contents relating to news, publishing, education, health, pharmaceuticals and medical equipment), Internet advertising via phoenixtv.com (www.ifeng.com) and contents provision in Category II value-added telecommunications business (excluding fixed line contents provision and Internet contents provision).

The audited profit before and after taxation and minority interests of Tianying for the financial year ended 31 December 2007 prepared under PRC GAAP were approximately RMB1,444,348 (approximately HK$1,646,557) and RMB374,915 (approximately HK$427,403) respectively. The audited profit before and after taxation and minority interests of Tianying for the financial year ended 31 December 2008 prepared under PRC GAAP were both approximately RMB797,767 (approximately HK$909,454).

The audited net asset value of Tianying as at 31 December 2008 prepared under PRC GAAP was approximately RMB8,025,432 (approximately HK$9,148,992).

INFORMATION ON YIFENG

Yifeng is a domestic enterprise established under the laws of the PRC with limited liability in 2006 and is owned as to 60% by Mr. HE and 40% by Ms. LIU respectively. The authorised business scope of Yifeng is Category II value-added telecommunications business (excluding fixed line data services and Internet data services) contents provider.

The audited profit before and after taxation and minority interests of Yifeng for the financial year ended 31 December 2007 prepared under PRC GAAP were approximately RMB5 (approximately HK$5.70) and RMB4 (approximately HK$4.56) respectively. The audited profit before and after taxation and minority interests of Yifeng for the financial year ended 31 December 2008 prepared under PRC GAAP were approximately RMB94,261 (approximately HK$107,458) and RMB43,375 respectively (approximately HK$49,448).

The audited net asset value of Yifeng as at 31 December 2008 prepared under PRC GAAP was approximately RMB10,042,443 (approximately HK$11,448,385).

IMPLICATIONS UNDER THE LISTING RULES

As the Transaction involves both an acquisition (the Acquisitions) and a disposal (deemed disposal as a consequence of the Subscription), pursuant to Rule 14.24 of the Listing Rules, the Transaction is classified by reference to the Acquisitions being the larger of the two. As the relevant percentage ratio is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

There are certain ongoing transactions between Tianying or Yifeng on the one hand, and the CMCC Group on the other hand, which will likely become continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon completion of the Acquisitions. The Company will comply with reporting and disclosure requirements under Rule 14A.41 of the Listing Rules upon completion of the Acquisitions.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 10:00 a.m. on Monday, 9 November 2009, pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading with effect from 2:30 p.m. on Monday, 9 November 2009.

GENERAL

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ at the rate of RMB1 to HK$1.14, and amounts quoted in US$ have been converted into HK$ at the rate of US$1 to HK$7.8. Such exchange rates have been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

DEFINITIONS

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

"Acquisitions"	the Tianying Acquisition and the Yifeng Acquisition
"BAI"	Bertelsmann Asia Investments AG, a company incorporated in Switzerland with its registered office at Dammstrasse 19, 6300 Zug, Switzerland
"Closing"	purchase and sale of the Series A Preferred Shares in accordance with the terms of the Purchase Agreement

"CMCC"	中國移動通信集團公司(China Mobile Communications Corporation), a state-owned company established under the laws of the PRC
"CMCC Group"	the group of companies comprising CMCC and its subsidiaries
"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 Main Board of the Stock Exchange
"Directors"	the directors of the Company, including independent non-executive directors
"Fenghuang On-line"	鳳凰在線(北京)信息技術有限公司(Fenghuang On-line (Beijing) Information Technology Company Limited), a wholly foreign owned enterprise established in the PRC, wholly-owned by Phoenix New Media through Phoenix Satellite Television Information Limited
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Intel Capital"	Intel Capital Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware
"Investors"	Morningside, Intel Capital and BAI
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Morningside"	Morningside China TMT Fund I, L.P., a Cayman Islands exempted limited partnership
"Mr. GAO"	Mr. GAO Ximin (高喜敏)
"Mr. HE"	Mr. HE Yansheng (賀燕勝)
"Ms. LIU"	Ms. LIU Yinxia (劉銀霞)

"Mr. QIAO"	Mr. QIAO Haiyan (喬海燕)
"Ordinary Share(s)"	ordinary share(s) of a par value of US$0.01 each in the share capital of Phoenix New Media
"Phoenix BVI Holding"	Phoenix Satellite Television (B.V.I.) Holding Limited, a company incorporated in the British Virgin Islands with limited liability, holding 99.27% of Phoenix New Media and itself a direct wholly-owned subsidiary of the Company
"Phoenix HK"	Phoenix Satellite Television Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Phoenix Trademark"	Phoenix Satellite Television Trademark Limited, a company incorporated in the British Vrigin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Phoenix New Media"	Phoenix New Media Limited, a company incorporated in the Cayman Islands with limited liability, holding 100% of the equity interest of Fenghuang On-line through Phoenix Satellite Television Information Limited, and itself a 99.27% indirect-owned subsidiary of the Company
"Phoenix New Media Group"	Phoenix New Media and its subsidiaries, and Tianying (as from the date on which the Tianying Contractual Arrangements take effect) and Yifeng (as from the date on which the Yifeng Contractual Arrangements take effect), but excluding PHOENIXi Investment Limited, PHOENIXi INC and Guofeng On-line (Beijing) Information Technology Co., Ltd. (國鳳在綫(北京)信息技術有限公司)
"PRC"	the People's Republic of China
"PRC GAAP"	generally accepted accounting principles of the PRC
"Purchase Agreement"	the preferred share purchase agreement dated 9 November 2009 entered into among Phoenix New Media, the Investors and other parties in connection with the Subscription
"RMB"	Renminbi, the lawful currency of the PRC

"Series A Preferred Share(s)"	convertible series A preferred share(s) of a par value of US$0.01 each in the share capital of Phoenix New Media, to be created and issued pursuant to the Purchase Agreement and ancillary documents
"Subscription"	subscription for and purchase of the Series A Preferred Shares by the Investors pursuant to the Purchase Agreement and ancillary documents
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianying"	北京天盈九州網絡技術有限公司 (Beijing Tianying Jiuzhou Network Technology Co., Ltd.), a domestic enterprise established under the laws of the PRC
"Tianying Acquisition"	acquisition of the economic interests in Tianying pursuant to the Tianying Contractual Arrangements
"Tianying Contents Licence Agreement"	the contents licence agreement to be entered into between Phoenix HK and Tianying
"Tianying Contractual Arrangements"	(1) the Tianying Loan Agreement, (2) the Tianying Equity Pledge Agreement, (3) the Tianying Exclusive Option Agreement, (4) the Tianying Voting Right Entrustment Agreement, (5) the Tianying Exclusive Technical Services Agreement, (6) the Tianying Domain Name Licence Agreement, (7) the Tianying Trade Mark Licence Agreement and (8) the Tianying Contents Licence Agreement, further particulars of which are set out in the section headed "Tianying Contractual Arrangements" in this announcement
"Tianying Domain Name Licence Agreement"	the domain name licence agreement to be entered into between Phoenix HK and Tianying
"Tianying Equity Pledge Agreement"	the equity pledge agreement to be entered into among Fenghuang On-line, Mr. QIAO and Mr. GAO
"Tianying Exclusive Option Agreement"	the exclusive option agreement to be entered into among Fenghuang On-line, Tianying, Mr. QIAO and Mr. GAO
"Tianying Exclusive Technical Services Agreement"	the exclusive technical services agreement to be entered into between Fenghuang On-line and Tianying
"Tianying Loan Agreement"	the loan agreement to be entered into among Fenghuang On-line, Mr. QIAO and Mr. GAO

"Tianying Secured Indebtedness"	all the direct, indirect, consequential losses and damages and contemplated loss of profits suffered by Fenghuang On-line from (i) Mr. QIAO's and/or Mr. GAO's breach(es) of obligations under the Tianying Loan Agreement, the Tianying Exclusive Option Agreement, the Tianying Voting Right Entrustment Agreement or the Tianying Equity Pledge Agreement respectively; (ii) Tianying's breach(es) of obligations under the Tianying Exclusive Option Agreement, the Tianying Voting Right Entrustment Agreement or the Tianying Exclusive Technical Services Agreement respectively; or (iii) any of the Tianying Exclusive Option Agreement, the Tianying Loan Agreement, the Tianying Voting Right Entrustment Agreement, the Tianying Exclusive Technical Services Agreement, or the Tianying Equity Pledge Agreement becoming invalid or unenforceable by reason of changes in PRC laws, rules and regulations or promulgation of new PRC laws, rules and regulations or any other reason, and Fenghuang On-line cannot find any other alternative arrangement to achieve the same purposes
"Tianying Trade Mark Licence Agreement"	the trade mark licence agreement to be entered into between Phoenix Trademark and Tianying
"Tianying Voting Right Entrustment Agreement"	the voting right entrustment agreement to be entered into among Fenghuang On-line, Tianying, Mr. QIAO and Mr. GAO
"Transaction"	the deemed disposal as a consequence of the Subscription and the Acquisitions
"US$"	United States Dollars, the lawful currency of the United States of America
"Yifeng"	怡豐聯合(北京)科技有限責任公司 (Yifeng Lianhe (Beijing) Technology Co., Ltd.), a domestic enterprise established under the laws of the PRC
"Yifeng Acquisition"	acquisition of the economic interests in Yifeng pursuant to the Yifeng Contractual Arrangements
"Yifeng Contents Licence Agreement"	the contents licence agreement to be entered into between Phoenix HK and Yifeng

"Yifeng Contractual Arrangements"	(1) the Yifeng Loan Agreement, (2) the Yifeng Equity Pledge Agreement, (3) the Yifeng Exclusive Option Agreement, (4) the Yifeng Voting Right Entrustment Agreement, (5) the Yifeng Exclusive Technical Services Agreement, (6) the Yifeng Trade Mark Licence Agreement and (7) the Yifeng Contents Licence Agreement, further particulars of which are set out in the section headed "Yifeng Contractual Arrangements" in this announcement
"Yifeng Equity Pledge Agreement"	the equity pledge agreement to be entered into among Fenghuang On-line, Mr. HE and Ms. LIU
"Yifeng Exclusive Option Agreement"	the exclusive option agreement to be entered into among Fenghuang On-line, Yifeng, Mr. HE and Ms. LIU
"Yifeng Exclusive Technical Services Agreement"	the exclusive technical services agreement to be entered into between Fenghuang On-line and Yifeng
"Yifeng Loan Agreement"	the loan agreement to be entered into among Fenghuang On-line, Mr. HE and Ms. LIU
"Yifeng Secured Indebtedness"	all the direct, indirect, consequential losses and damages and contemplated loss of profits suffered by Fenghuang On-line from (i) Mr. HE's and/or Ms. LIU's breach(es) of obligations under the Yifeng Loan Agreement, the Yifeng Exclusive Option Agreement, the Yifeng Voting Right Entrustment Agreement or the Yifeng Equity Pledge Agreement respectively; (ii) Yifeng's breach(es) of obligations under the Yifeng Exclusive Option Agreement, the Yifeng Voting Right Entrustment Agreement or the Yifeng Exclusive Technical Services Agreement respectively; or (iii) any of the Yifeng Exclusive Option Agreement, the Yifeng Loan Agreement, the Yifeng Voting Right Entrustment Agreement, the Yifeng Exclusive Technical Services Agreement or the Yifeng Equity Pledge Agreement becoming invalid or unenforceable by reason of changes in PRC laws, rules and regulations or promulgation of new PRC laws, rules and regulations or any other reason, and Fenghuang On-line cannot find any other alternative arrangement to achieve the same purposes

"Yifeng Trade Mark Licence Agreement"	the trade mark licence agreement to be entered into between Phoenix Trademark and Yifeng
"Yifeng Voting Right Entrustment Agreement"	the voting right entrustment agreement to be entered into among Fenghuang On-line, Yifeng, Mr. HE and Ms. LIU

By Order of the Board
LIU Changle
Chairman

Hong Kong, 9 November 2009

As at the date of this announcement, the board of Directors comprises Mr. LIU Changle (Chairman), Mr. CHUI Keung and Mr. WANG Ji Yan as the Executive Directors; Mr. LU Xiangdong, Mr. GAO Nianshu, Mr. CHEUNG Chun On, Daniel, Mr. LAU Yu Leung, John and Mr. GONG Jianzhong as the Non-executive Directors; Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK as the Independent Non-executive Directors. Dr. GAO Jack Qunyao is the Alternate Director to Mr. CHEUNG Chun On, Daniel and Mr. LAU Yu Leung, John.