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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)

DISCLOSEABLE TRANSACTION

The Directors announce that on 27 June 2007, Phoenix Pictures entered into the Capital Increase Contract pursuant to which Phoenix Pictures has conditionally agreed to subscribe for 50% of the enlarged registered capital of JV Co.

The Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. A circular containing further details of the Subscription will be sent to the Shareholders as soon as reasonably practicable.

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CAPITAL INCREASE CONTRACT

Date

27 June 2007

Parties

- (1) Phoenix Pictures
- (2) Shenzhou
- (3) Beijing TV
- (4) Mr. Gu, Mr. Zhao and Mr. Tian
- (5) JV Co.

Shenzhou is the PRC advertising agent of the Group. Beijing TV is engaged in investment in television broadcasting business and has no relationship with the Company.

Mr. Gu, Mr. Zhao, Mr. Tian, Shenzhou and Beijing TV and their respective ultimate beneficial owners, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are independent third parties which are (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 GEM Listing Rules.

Capital Increase and Subscription of Enlarged Registered Capital

The parties agree that the registered capital of JV Co. shall be increased from RMB10,000,000 (HK\$10,200,000) to RMB300,000,000 (HK\$306,000,000). The increased registered capital of RMB290,000,000 (HK\$295,800,000) of JV Co. shall be contributed as to RMB150,000,000 (HK\$153,000,000) by Phoenix Pictures, RMB20,500,000 (HK\$20,910,000) by Shenzhou, RMB84,500,000 (HK\$86,190,000) by Beijing TV, RMB11,600,000 (HK\$11,832,000) by Mr. Gu, RMB11,700,000 (HK\$11,934,000) by Mr. Zhao and RMB11,700,000 (HK\$11,934,000) by Mr. Tian. The capital contribution to be made by Phoenix Pictures will be financed by the internal resources of the Group.

Phoenix Pictures shall make its capital contribution in foreign currency within (i) seven days after the issuance of the new business licence of JV Co. upon its conversion into a Sino-foreign equity joint venture enterprise or (ii) seven days after all the conditions set out in the sub-section headed "Conditions Precedent" below have been satisfied, whichever is later. For the other relevant parties to the Capital Increase Contract, they shall make their respective capital contributions in RMB within seven days after the issuance of the new business licence of JV Co. upon its conversion into a Sino-foreign equity joint venture enterprise.

The equity interest of the relevant parties in JV Co. before and after the capital increase under the Capital Increase Contract are illustrated in the table below:

Parties	Before Capital Increase		After Capital Increase		Percentage of equity interest
	Registered Capital contribution	Percentage of equity interest	Registered Capital contribution	Percentage of equity interest	
	<i>RMB'000 (HK\$'000)</i>		<i>RMB'000 (HK\$'000)</i>		
Phoenix Pictures	–	–	150,000	(153,000)	50%
Shenzhou	6,500	(6,630)	27,000	(27,540)	9%
Beijing TV	2,500	(2,550)	87,000	(88,740)	29%
Mr. Gu	400	(408)	12,000	(12,240)	4%
Mr. Zhao	300	(306)	12,000	(12,240)	4%
Mr. Tian	300	(306)	12,000	(12,240)	4%
Total	10,000	(10,200)	300,000	(306,000)	100%

Conditions Precedent

The capital contribution to be made by Phoenix Pictures under the Capital Increase Contract shall be conditional, among others, on the satisfaction of the following conditions:–

- (a) the approval by the PRC competent authorities for the Project to be constructed for cultural, entertainment and office uses with a permitted total gross floor area of 50,000 sq.m. or more;
- (b) the passing of the resolutions by JV Co. relating to the capital increase under the Capital Increase Contract;
- (c) the passing of the resolutions by the Shareholders at an extraordinary general meeting of the Company to approve the Capital Increase Contract and the transactions contemplated thereunder (if applicable);
- (d) the necessary approvals by the regulatory authorities of the Company and Phoenix Pictures (including but not limited to the Stock Exchange's approval for the announcements and circular relating to the Capital Increase Contract and the transactions contemplated thereunder);
- (e) Phoenix Pictures' completion, and acceptance of the results, of the due diligence reviews (including legal and financial reviews) on JV Co.;
- (f) all the necessary approvals by the approval and examination authorities relating to the capital increase under the Capital Increase Contract (including the approvals by the Ministry of Commerce and/or its local branches for the Subscription and the conversion of JV Co. into a Sino-foreign equity joint venture enterprise); and
- (g) all the representations and warranties given by each party shall remain true and accurate.

If any of the above conditions is not fulfilled within six months from the date of the Capital Increase Contract (or such later date as the parties to the Capital Increase Contract may agree), Phoenix Pictures shall be entitled to unilaterally terminate the Capital Increase Contract, the JV Contract and the Articles. In the event that Phoenix Pictures exercises its right to terminate the Capital Increase Contract, the JV Contract and the Articles, Phoenix Pictures shall be released from all its obligations under the Capital Increase Contract, the JV Contract and the Articles, and Phoenix Pictures shall not be liable to pay any damages thereunder.

Representations, Warranties and Undertakings

Shenzhou, Beijing TV, Mr. Gu, Mr. Zhao, Mr. Tian and JV Co. have represented, warranted and undertaken, among other things, the following to Phoenix Pictures:–

- (a) JV Co. has good and complete title to the lands (including the Land) owned by JV Co. which are free from encumbrances. JV Co. has obtained the relevant land approval documents and land use certificates, and has paid the relevant land premiums (other than any additional land premiums resulting from adjustment of permitted gross floor area); and

- (b) the land premiums payable by JV Co. in its approval for increasing the permitted total gross floor area of the Project to 50,000 sq.m. or more shall not be higher than the rate of RMB1,700 per square meter or such other rate as promulgated by the PRC government from time to time. Apart from such land premiums, JV Co. shall not be obliged to pay any substantial fees, charges and expenses to any competent authorities or parties.

Board Representation

JV Co.'s board of directors shall consist of seven members, of which four shall be appointed by Phoenix Pictures and the remaining three shall be jointly appointed by Shenzhou, Beijing TV, Mr. Gu, Mr. Zhao and Mr. Tian. One of the directors appointed by Phoenix Pictures shall be the chairman of the board.

Business Scope

After Phoenix Pictures has made its capital contribution under the Capital Increase Contract, JV Co. shall only engage in the business relating to the development and management of Phoenix International Media Centre but not otherwise.

Allocation of Gross Floor Areas of the Project

Upon completion of the Project, the gross floor area of Phoenix International Media Centre shall be allocated and distributed among the parties in proportion to their respective equity interest in JV Co. Phoenix Pictures shall have priority in selecting the floors and locations in Phoenix International Media Centre for constructing the theatres and television production studios, and installing professional facilities. Upon completion of the transfers of titles of the allocated area to the respective parties to the Capital Increase Contract, the parties shall proceed to liquidate JV Co.

JV CONTRACT AND ARTICLES

All the parties (except JV Co.) shall enter into the JV Contract and the Articles to incorporate the relevant agreed terms of the Capital Increase Contract. Further, the Articles shall also specify that the total investment amount of JV Co. will be RMB600,000,000 (HK\$612,000,000). The difference between the total investment amount and the enlarged registered capital of JV Co. will be financed by bank borrowings of JV Co.

INFORMATION ON JV CO. AND THE PROJECT

JV Co. is a domestic limited liability company established under the laws of the PRC on 10 May 2006 with a registered capital of RMB10,000,000 (HK\$10,200,000). The current business scope of JV Co. includes, among other things, real estate development and sale of self-developed commercial housing.

In or about May 2006, JV Co. entered into a land and project transfer contract with 北京朝陽公園開發經營公司 (Beijing Chaoyang Park Development & Management Co.) pursuant to which Beijing Chaoyang Park Development & Management Co. agreed to transfer the land use rights of the Land to JV Co. for development of the Project. The Land comprises a site area of approximately 18,821.83 sq.m. and a permitted total gross floor area above ground of approximately 35,000 sq.m. and is for cultural, entertainment and office uses. The land use term of the Land is 50 years from 10 October 2001.

The Project involves the development and construction of a building on the Land which will contain theatres and television program studios to be used by the Group such building is currently referred to as Phoenix International Media Centre. The Project is now in an early development stage, construction design work is still in progress. Since its date of establishment, JV Co. has been involved in the development of the Land. Accordingly, no revenue has been generated by JV Co. so far. The net asset value of JV Co. as at 31 December 2006 was RMB9,262,177.40 (HK\$9,447,420.95). The loss before and after tax and extraordinary items of JV Co. for the period from 10 May 2006 to 31 December 2006 was RMB737,822.60 (HK\$752,579.05).

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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

With the expected growth of the Group's business, the Group intends to increase its production of television programmes. The Project is in line with the business development of the Group. Phoenix International Media Centre, once completed, will become the Group's programme production complex in Beijing. It will also increase the operational efficiency of the Group by consolidating the different operational functions and activities and the important service providers in the PRC into the same complex.

The Capital Increase Contract was entered into by the parties after arm's length negotiation taking into account the preliminary valuation of the Land of RMB282,000,000 (HK\$287,640,000) by an independent valuer. The Directors consider that the terms of the Contract are normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE SUBSCRIPTION

Upon completion of the Subscription, the Company will have 50% equity interest in JV Co. and will control a majority of its board of directors. Accordingly, JV Co. will be accounted for as a subsidiary of the Company after completion of the Subscription. The financial results of JV Co. will be consolidated into the accounts of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. A circular containing further details of the Subscription will be sent to the Shareholders as soon as reasonably practicable.

DEFINITIONS

“Articles”	the new articles of association of JV Co. to be entered into by the parties to the Capital Increase Contract
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing TV”	北京中視天地文化開發有限責任公司(Beijing Chinese Television Tiandi Cultural Development Co. Ltd), a company established under the laws of the PRC

“Capital Increase Contract”	the capital increase contract relating to the increase in registered capital of JV Co. and subscription of the enlarged registered capital by Phoenix Pictures and others
“Company”	Phoenix Satellite Television Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Director(s)”	the director(s) of the Company, including independent non-executive director(s)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Co.”	鳳凰東方(北京)置業有限公司 (Phoenix Oriental (Beijing) Properties Company Limited), a company established under the laws of the PRC
“JV Contract”	the joint venture contract of JV Co. to be entered into by the parties (excluding JV Co.) to the Capital Increase Contract
“Land”	the site situated at South-Western corner of Chaoyang Park, Chaoyang District, Beijing, the PRC which comprises a site area of approximately 18,821.83 sq.m.
“Mr. Gu”	Mr. Gu Deyu, a PRC national
“Mr. Tian”	Mr. Tian Guoping, a PRC national
“Mr. Zhao”	Mr. Zhao Zhiqiang, a PRC national
“Phoenix International Media Centre”	鳳凰國際傳媒中心(Phoenix International Media Centre), a building to be built on the Land which will contain theatres and television production studios to be used by the Group
“Phoenix Pictures”	Phoenix Pictures Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“Project”	the development of the Land into Phoenix International Media Centre

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shenzhou”	神州電視有限公司 (Shenzhou Television Company Limited), a company incorporated under the laws of the PRC
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of 50% of the enlarged registered capital of JV Co. by Phoenix Pictures in accordance with the Capital Increase Contract

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\$1.02. Such exchange rate has 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 this or any other rates or at all.

By Order of the Board
LIU Changle
Chairman

Hong Kong, 27 June 2007

The announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: – (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this announcement, the executive directors of the Company are Mr. LIU Changle, Mr. CHUI Keung and Mr. WANG Jiyang, the non-executive directors of the Company are Mr. LU Xiangdong, Mr. GAO Nianshu, Mr. Paul Francis AIELLO, Mr. LAU Yu Leung John and Mr. GONG Jianzhong and the independent non-executive directors of the Company are Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

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