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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: 02008)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

On 16 July 2012, Phoenix HK has entered into the 2012 Star Services Agreement with STARL for the provision of the Technical and Support Services and Purchase of Decoders and Viewing Cards Service to the Group for a term of three years commencing from 1 July 2012 and ending on 30 June 2015. A similar agreement was entered into between Phoenix HK and STARL on 2 July 2009 which has expired on 30 June 2012.

The Transaction constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the 2012 Star Services Agreement are, on an annual basis, more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements only and is exempted from the independent shareholders' approval requirement under the Listing Rules.

### **INTRODUCTION**

Reference is made to the announcement of the Company dated 3 July 2009 in respect of the 2009 Star Services Agreement. The 2009 Star Services Agreement has expired on 30 June 2012.

The Board wish to announce that on 16 July 2012, Phoenix HK has entered into the 2012 Star Services Agreement with STARL for a term of three years commencing from 1 July 2012 and ending on 30 June 2015.

Details of the Transaction are set out as follows:

## **2012 STAR SERVICES AGREEMENT**

**Date:** 16 July 2012

**Parties:** (1) Phoenix HK  
(2) STARL

**Term:** 3 years from 1 July 2012

### **Services covered by the 2012 Star Services Agreement:**

#### *1. Technical and Support Services*

##### a. Details of Services

STARL shall provide the following services to Phoenix HK:

- (i) 24-hour digital transponder capacity – provision of transponder capacity on satellite sufficient for the transmission of the channels designated by Phoenix HK on a digitally compressed basis;
- (ii) uplink services – 24-hour video and audio uplink of the channels designated by Phoenix HK from facilities selected by STARL in Hong Kong;
- (iii) digital video broadcasting services – digital signal processing required for uplink of program signals for satellite distribution;
- (iv) monitoring and redundant switching services – processing of Phoenix HK’s channel signals for uplink and provision of routine checks on incoming and broadcast signals; and
- (v) subscriber management services – comprising (a) establishing and maintaining subscriber database; (b) activation/de-activation of subscribers’ SMART Card; (c) generating and providing monthly subscription report and (d) payment of various fees for the services.

(collectively “**Technical and Support Services**”).

b. Consideration

An annual fee based on fixed rates is payable on a monthly basis upon a pro-rata apportionment for the use of each of the Technical and Support Services. The total amount of fixed fees is US\$2,250,000 (approximately HK\$17,437,500) for the first year, US\$1,800,000 (approximately HK\$13,950,000) for the second year and US\$1,890,000 (approximately HK\$14,647,500) for the third year. The fees were negotiated at arm's length and determined mainly on cost basis by reference to, among other things, third party cost, staff cost, management support cost, equipment and operational cost (if any) of each of the Technical and Support Services.

c. The Annual Caps

For the six months ended 31 December 2009, the financial years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012, the amounts of fees paid or payable by the Group for the use of the aforesaid services were approximately US\$1,216,000 (approximately HK\$9,415,000, based on the actual exchange rate), approximately US\$2,454,800 (approximately HK\$19,048,100, based on the actual exchange rate), approximately US\$2,507,200 (approximately HK\$19,497,100, based on the actual exchange rate) and approximately US\$1,268,400 (approximately HK\$9,838,200, based on the actual exchange rate) respectively.

The annual caps of the service fees payable by the Group for the Technical and Support Services are set out as follows:

	<i>US\$</i>	<i>Approximately HK\$</i>
For the period from 1 July 2012 to 31 December 2012	1,125,000	8,718,800
For the financial year ended 31 December 2013	2,025,000	15,693,800
For the financial year ended 31 December 2014	1,845,000	14,298,800
For the period from 1 January 2015 to 30 June 2015	945,000	7,323,800

The cap amounts are determined by reference to the fixed fees payable for the Technical and Support Services.

## 2. *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 Phoenix HK 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. The Annual Caps

For the six months ended 31 December 2009, the financial years ended 31 December 2010 and 2011, and for the six months ended 30 June 2012, there were no payment for Purchase of Decoders and Viewing Cards Services.

The annual caps of the fees payable by the Group for the Purchase of Decoders and Viewing Cards Service are set out as follows:

	<i>US\$</i>	<i>Approximately HK\$</i>
For the period from 1 July 2012 to 31 December 2012	64,000	496,000
For the financial year ended 31 December 2013	128,000	992,000
For the financial year ended 31 December 2014	128,000	992,000
For the period from 1 January 2015 to 30 June 2015	64,000	496,000

The cap amounts are determined by reference to, among other things, the projected demand from our existing subscribers for replacement of old and obsolete decoders and/or viewing cards, possible increase in number of subscribers of Phoenix Movies Channel and fluctuation in the costs of the decoders and viewing cards. The demand for replacement of decoders and viewing cards in the past few years had been very low but it is anticipated that demand for new decoders and viewing cards in the coming years will increase as a lot of them will become old and obsolete. The subscription base for the Phoenix Movies Channel has been relatively small over the years and it is anticipated that the potential for grow is moderate. 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 annual caps substantially higher than the historical value for these transactions.

### 3. *Other Terms*

Either party may terminate any or all of the Technical and Support Services and Purchase of Decoders and Viewing Cards Service under the 2012 Star Services Agreement by giving various lengths of notice periods ranging from twelve months to six months. However, if Phoenix HK intends to appoint a third party to provide the same or substantially similar service being terminated, Phoenix HK shall give reasonable prior 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 within two months, Phoenix HK may then conclude an agreement with such third party. If any agreement between STARL and others, which is required by STARL in the provision of the Technical and Support Services and Purchase of Decoders and Viewing Cards Service, shall be terminated and thereby affect STARL's ability to provide the relevant services, STARL may terminate the services by at least one month prior written notice.

### 4. *Aggregated Annual Caps for the 2012 Star Services Agreement*

The aggregated annual caps of the amount payable by the Group for all services under the 2012 Star Services Agreement are set out as follows:

	<i>US\$</i>	<i>Approximately HK\$</i>
For the period from 1 July 2012 to 31 December 2012	1,189,000	9,214,800
For the financial year ended 31 December 2013	2,153,000	16,685,800
For the financial year ended 31 December 2014	1,973,000	15,290,800
For the period from 1 January 2015 to 30 June 2015	1,009,000	7,819,800

## **REASONS FOR RENEWAL OF THE 2012 STAR SERVICES AGREEMENT**

STARL has been providing services, including similar services under the 2012 Star Services Agreement, to Phoenix HK since March 1996 for the operational needs of the Group. The 2009 Star Services Agreement has expired on 30 June 2012, the entry of the 2012 Star Services Agreement is to secure continuity of certain services of the 2009 Star Services Agreement. The terms of the 2012 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 46 satellite/fibre channels in Hong Kong, the convenience and efficiency in the provision of services due to long term relationship and the bulk purchase discount rates enjoyed by STARL.

The Directors (including independent non-executive Directors) are of the view that the Transaction is in the ordinary and usual course of business of the Company and the 2012 Star Services Agreement reflects normal commercial terms and are in the interests of the Company and its shareholders as a whole. The Directors (including independent non-executive Directors) are also of the view that the terms as well as the annual caps for the Transaction are fair and reasonable.

None of the Directors have a material interest in the 2012 Star Services Agreement and were required to abstain from voting on the Board resolutions in respect of the 2012 Star Services Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

Phoenix HK is an indirect wholly-owned subsidiary of the Company. STARL is a subsidiary of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.), which owns approximately 17.44% interest in the Company, is a substantial shareholder of the Company (as defined in the Listing Rules).

The Transaction constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the 2012 Star Services Agreement are, on an annual basis, more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements only and is exempted from independent shareholders' approval requirement under the Listing Rules.

## **GENERAL**

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

STARL engages in the development, production and broadcasting of television programming throughout Asia. STARL's programming is distributed primarily via satellite to local cable and direct-to-home (DTH) operators for distribution to their subscribers. STARL is also engaged in the provision of management, marketing and broadcasting services to related companies.

For the purpose of this announcement, unless otherwise indicated, conversion of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 to HK\$7.75. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

## DEFINITIONS

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

“2009 Star Services Agreement”	The agreement dated 2 July 2009 between STARL and Phoenix HK for the provision of various services including technical and support services, subscription promotion service and purchase of decoders and viewing cards service by STARL to the Group
“2012 Star Services Agreement”	The agreement dated 16 July 2012 between STARL and Phoenix HK for the provision of various services including technical and support services and purchase of decoders and viewing cards service by STARL to the Group
“Board”	the board of Directors
“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 Stock Exchange
“Directors”	the directors of the Company, including independent non-executive directors
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 Movies Channel”	an encrypted movies channel operated by the Group and broadcast in the PRC (excluding Hong Kong, Macau and Taiwan)
“PRC”	the People’s Republic of China
“STARL”	Satellite Television Asian Region Limited, a subsidiary of Star Entertainment Holdings Limited (formerly known as Xing Kong Chuan Mei Group Co., Ltd.)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transaction”	the transaction contemplated under the 2012 Star Services Agreement
“US\$”	USA dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board  
**Phoenix Satellite Television Holdings Limited**  
**LIU Changle**  
*Chairman*

Hong Kong, 16 July 2012

*As at the date of this announcement, the board of directors of the Company comprises:*

***Executive Directors***

*Mr. LIU Changle (Chairman) (also an alternate director to Mr. CHUI Keung); Mr. CHUI Keung (also an alternate director to Mr. LIU Changle) and Mr. WANG Ji Yan (also an alternate director to Mr. LIU Changle and Mr. CHUI Keung)*

***Non-executive Directors***

*Mr. GAO Nianshu; Mr. SHA Yuejia; Mr. Jan KOEPPEN; Mr. CHEUNG Chun On, Daniel and Mr. GONG Jianzhong*

***Independent Non-executive Directors***

*Dr. LO Ka Shui; Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK*

***Alternate Directors***

*Ms. Ella Betsy WONG (alternate to Mr. Jan KOEPPEN) and Dr. GAO Jack Qunyao (alternate to Mr. CHEUNG Chun On, Daniel)*