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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)

ANNOUNCEMENT
CONNECTED TRANSACTION

Reference is made to the announcements of the Company dated 11 April 2011 and 13 April 2011 in respect of the connected transactions of the agreement by Regal Fame to transfer to Phoenix BVI 25% shareholding in Phoenix Metropolis Media for a consideration of HK\$64,250,000 and the agreement by the Regal Fame Controlling Shareholders to subscribe for an aggregate of 25% equity capital in PMM Beijing for an aggregate consideration of HK\$64,250,000.

Subsequent to the Regal Fame Controlling Shareholders' agreement to subscribe for an aggregate 25% equity interests in PMM Beijing, the Independent Investors, the Employees as well as PMM Communication, an indirect 75% subsidiary of the Company, also indicated their willingness to subscribe for equity capital in PMM Beijing. On 29 May 2011, all of the above parties (including the Regal Fame Controlling Shareholders) entered into the Capital Increase Agreement with PMM Beijing setting out the respective amounts of equity capital to be subscribed by the parties (including the capital to be subscribed by the Regal Fame Controlling Shareholders for the aggregate consideration of HK\$64,250,000) and the timing and approval procedures for the Capital Increase. Under the Capital Increase Agreement, the Regal Fame Controlling Shareholders, the Independent Investors, the Employees and PMM Communication would subscribe for an aggregate of RMB97,702,232 (approximately HK\$117,092,800) registered capital in PMM Beijing at a total consideration of RMB320,649,915 (approximately HK\$384,288,009) (the difference between the total consideration and the registered capital being the premium payable by the parties). The registration procedures in respect of the Capital Increase were completed at the relevant Administrative Bureau of Industry and Commerce on 21 June 2011.

Upon completion of the Capital Increase Agreement, the registered capital of PMM Beijing was increased from approximately RMB42,297,768 (HK\$48,000,000, based on the exchange rate at the relevant time) to RMB140,000,000 (approximately HK\$167,785,235) and the Company's indirect interest in PMM Beijing (through PMM Communication) was reduced from 75% to approximately 45.54%. As PMM Communication had the right to appoint five out of nine members of the board of PMM Beijing after the Capital Increase, PMM Beijing continued to be a subsidiary of the Company notwithstanding the reduction of the Company's indirect interest therein to 45.54%. The reduction of the Company's indirect interest in PMM Beijing of approximately 29.46% constituted a deemed disposal of interest in PMM Beijing by the Company pursuant to Rule 14.29 of the Listing Rules. As all of the relevant percentage ratios in respect of the deemed disposal were less than 5%, the Capital Increase was not a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

It has recently come to the knowledge of the Directors that among the Employees who subscribed for equity capital in PMM Beijing pursuant to the Capital Increase Agreement, eight of them were the PMM Directors and one of them was Ms. Liu. As the percentage ratios applicable to the subscription of equity capital in PMM Beijing by each of the PMM Directors are all below the de minimis threshold under Rule 14A.31(2) of the Listing Rules, all of their subscriptions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Ms. Liu subscribed for RMB2,416,700 (approximately HK\$2,896,333) registered capital in PMM Beijing (representing 1.73% of the registered capital in PMM Beijing) for a consideration of RMB6,114,251 (approximately HK\$7,327,722). As Ms. Liu was the sister of the Chairman of the Company Mr. Liu Changle, she was a connected person of the Company and her entering into of the Capital Increase Agreement and subscription of equity capital in PMM Beijing constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the percentage ratios applicable to the subscription of equity capital in PMM Beijing by Ms. Liu are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that the Capital Increase Agreement has been entered into by the parties thereto after arms-length negotiations and the terms of the Capital Increase Agreement, so far as Ms. Liu, the PMM Directors and PMM Beijing are concerned, are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

INTRODUCTION

Reference is made to the announcements of the Company dated 11 April 2011 and 13 April 2011 in respect of the connected transactions of the agreement by Regal Fame to transfer to Phoenix BVI 25% shareholding in Phoenix Metropolis Media for a consideration of HK\$64,250,000 and the agreement by the Regal Fame Controlling Shareholders to subscribe for an aggregate of 25% equity capital in PMM Beijing for an aggregate consideration of HK\$64,250,000.

Subsequent to the Regal Fame Controlling Shareholders' agreement to subscribe for an aggregate 25% equity interests in PMM Beijing, the Independent Investors, the Employees as well as PMM Communication, an indirect 75% subsidiary of the Company, also indicated their willingness to subscribe for equity capital in PMM Beijing. On 29 May 2011, all of the above parties (including the Regal Fame Controlling Shareholders) entered into the Capital Increase Agreement with PMM Beijing setting out the respective amounts of equity capital to be subscribed by the parties (including the capital to be subscribed by the Regal Fame Controlling Shareholders for the aggregate consideration of HK\$64,250,000) and the timing and approval procedures for the Capital Increase. Under the Capital Increase Agreement, the Regal Fame Controlling Shareholders, the Independent Investors, the Employees and PMM Communication would subscribe for an aggregate of RMB97,702,232 (approximately HK\$117,092,800) registered capital in PMM Beijing at a total consideration of RMB320,649,915 (approximately HK\$384,288,009) (the difference between the total consideration and the registered capital being the premium payable by the parties). The registration procedures in respect of the Capital Increase were completed at the relevant Administrative Bureau of Industry and Commerce on 21 June 2011.

Upon completion of the Capital Increase Agreement, the registered capital of PMM Beijing was increased from approximately RMB42,297,768 (HK\$48,000,000, based on the exchange rate at the relevant time) to RMB140,000,000 (approximately HK\$167,785,235) and the Company's indirect interest in PMM Beijing (through PMM Communication) was reduced from 75% to approximately 45.54%. As PMM Communication had the right to appoint five out of nine members of the board of PMM Beijing after the Capital Increase, PMM Beijing continued to be a subsidiary of the Company notwithstanding the reduction of the Company's indirect interest therein to 45.54%. The reduction of the Company's indirect interest in PMM Beijing of approximately 29.46% constituted a deemed disposal of interest in PMM Beijing by the Company pursuant to Rule 14.29 of the Listing Rules. As all of the relevant percentage ratios in respect of the deemed disposal were less than 5%, the Capital Interest was not a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

CONNECTED TRANSACTION

It has recently come to the knowledge of the Directors that among the Employees who subscribed for equity capital in PMM Beijing pursuant to the Capital Increase Agreement, eight of them were directors of one or more members of the PMM Group (collectively the "PMM Directors"), and one of them was Ms. Liu. As the percentage ratios applicable to the subscription of equity capital in PMM Beijing by each of the PMM Directors are all below the de minimis threshold under Rule 14A.31(2) of the Listing Rules, all of their subscriptions are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Ms. Liu subscribed for RMB2,416,700 (approximately HK\$2,896,333) registered capital in PMM Beijing (representing 1.73% of the registered capital in PMM Beijing) for a consideration of RMB6,114,251 (approximately HK\$7,327,722). As Ms. Liu was the sister of the Chairman of the Company Mr. Liu Changle, she was a connected person of the Company and her entering into of the Capital Increase Agreement and subscription of equity capital in PMM Beijing constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the percentage ratios applicable to the subscription of equity capital in PMM Beijing by Ms. Liu are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE CAPITAL INCREASE AGREEMENT

On 29 May 2011, the Regal Fame Controlling Shareholders, the Independent Investors, the Employees and PMM Communication entered into the Capital Increase Agreement with PMM Beijing regarding their respective subscriptions for equity interests in PMM Beijing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Regal Fame Controlling Shareholders, the Independent Investors, the Employees (except Ms. Liu and the PMM Directors) and their respective ultimate beneficial owner is third party independent of, and not connected with, the Company and its connected persons. A summary of the equity interests to be subscribed by the parties under the Capital Increase Agreement is set out below:

Subscriber	registered capital subscribed (RMB)	premium payable (RMB)	total consideration payable (RMB)	% of equity interests in PMM Beijing after the Capital Increase
PMM Communication	21,452,232	13,521,833	34,974,065	45.54%
Independent Investors	40,000,000 (in aggregate)	154,000,000 (in aggregate)	194,000,000 (in aggregate)	28.57% (in aggregate)
Regal Fame Controlling Shareholders	21,250,000 (in aggregate)	32,475,850 (in aggregate)	53,725,850 (in aggregate)	15.18% (in aggregate)
Employees (excluding Ms. Liu)	12,583,300 (in aggregate)	19,252,449 (in aggregate)	31,835,749 (in aggregate)	8.98% (in aggregate)
Ms. Liu	2,416,700	3,697,551	6,114,251	1.73%
Total	97,702,232	222,947,683	320,649,915	100%

The respective considerations payable by the parties of each percentage of equity interest to be subscribed in PMM Beijing were determined after arms length negotiations between the respective parties and PMM Beijing. The consideration for each percentage of equity interest payable by each Employee was the same and was determined based on the same consideration for each percentage of equity interest payable by the Regal Fame Controlling Shareholders. The consideration for each percentage of equity interest was the same amongst the Independent Investors and included a higher premium amount than that payable by each of PMM Communication, the Employees and the Regal Fame Controlling Shareholders.

Under the Capital Increase Agreement:

- (1) each of the equity subscribers would deposit the registered capital portion and the premium portion of the consideration for its/his/her subscription into two different bank accounts designated by PMM Beijing;
- (2) upon the deposit of the consideration by the equity subscribers as described in (1) above, PMM Beijing shall effect the statutory asset verification by an authorized institution and complete the necessary capital increase registration procedures at the relevant Administrative Bureau of Industry and Commerce within 30 days of the issuance of the asset verification certificate;
- (3) upon completion of the necessary capital increase registration procedures at the relevant Administrative Bureau of Industry and Commerce, the equity subscribers shall enjoy their respective pro-rata rights as equity holders of PMM Beijing;
- (4) PMM Beijing shall use the total consideration received by it for production and business operation purposes.

The registration procedures in respect of the Capital Increase were completed at the relevant Administrative Bureau of Industry and Commerce on 21 June 2011.

REASONS FOR ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The Capital Increase Agreement will provide PMM Beijing with immediately available interest-free funds for its production and business operation. The extension by PMM Beijing to the Employees of the invitation to subscribe for equity interest in PMM Beijing also incentivize, and enhance the loyalty of, the Employees.

The Directors, including the independent non-executive Directors, are of the view that the Capital Increase Agreement has been entered into by the parties thereof after arms-length negotiations and the terms of the Capital Increase Agreement, so far as Ms. Liu, the PMM Directors and PMM Beijing are concerned, are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

None of the Directors other than the Chairman of the Company Mr. Liu Changle has a material interest in Capital Increase Agreement or was required to abstain from voting on the board resolutions in respect of the Capital Increase Agreement. As Ms. Liu is a connected person of the Company, Mr. Liu Changle was deemed to have a material interest in the Capital Increase Agreement, and accordingly had abstained from voting on the aforesaid board resolutions.

INFORMATION ON THE COMPANY, MS. LIU AND PMM GROUP

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

Ms. Liu joined PMM Beijing in January 2009 and is currently the Vice-president of PMM Beijing. She is the sister of the Chairman of the Company Mr. Liu Changle.

PMM Beijing is a company incorporated in the PRC with limited liability which, together with its subsidiaries established in the major cities of the PRC, is engaged in the outdoor media business in the PRC by way of providing outdoor advertising services on giant-sized LED panels. Prior to completion of the registration procedures for the Capital Increase at the relevant Administrative Bureau of Industry and Commerce, Phoenix BVI, a wholly-owned subsidiary of the Company, had invested in aggregate approximately HK\$126,857,000 in Phoenix Metropolis Media (of which HK\$92,750,000 was in the form of equity capital and RMB30,000,000 was in the form of shareholders' loans), which in turn invested a total of approximately RMB42,297,768 (HK\$48,000,000, based on the exchange rate at the relevant time) into PMM Beijing through its wholly-owned subsidiaries Phoenix Metropolis Media Company Limited and PMM Communication for an indirect 75% equity interest in PMM Beijing.

The net book value of PMM Group as at 31 December 2010 was HK\$149,639,000. The profits before and after tax of PMM Group for the two years ended 31 December 2010 were as follows:

	For the year ended	
	31 December 2009	31 December 2010
Profit/(Loss) before tax	(HK\$34,552,000)	HK\$55,584,000
Profit/(Loss) after tax	(HK\$34,660,000)	HK\$55,693,000

Note: The figures above were derived from the audited consolidated financial statements of the Company for the two years ended 31 December 2010.

DEFINITIONS

“Capital Increase”	the increase in registered capital of PMM Beijing by the respective subscriptions of equity capital by PMM Communication, the Regal Fame Controlling Shareholders, the Independent Investors and the Employees under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 29 May 2011 and made between PMM Communication, the Regal Fame Controlling Shareholders, the Independent Investors, the Employees and PMM Beijing in relation to the increase in registered capital of PMM Beijing
“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 of Hong Kong Limited
“Directors”	the directors of the Company, including independent non-executive directors

“Employees”	the 27 employees of various members of the PMM Group who were invited by PMM Beijing to subscribe for equity capital in PMM Beijing as part of an employee incentivisation program of the PMM Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Investors”	the three PRC domestic investors who have agreed to subscribe for equity capital in PMM Beijing constituting 14.29%, 7.14% and 7.14% respectively of the enlarged equity capital of PMM Beijing upon completion of the Capital Increase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Li”	Li Bin, a PRC individual and 40% shareholder of Regal Fame
“Mr. Wang”	Wang Yanjun, a PRC individual and 60% shareholder of Regal Fame
“Ms. Liu”	Liu Keyi, the Vice-president of PMM Beijing and the sister of Liu Changle, the Chairman of the Company
“Phoenix BVI”	Phoenix Satellite Television (B.V.I.) Holding Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Phoenix Metropolis Media”	Phoenix Metropolis Media Holdings Limited, a company incorporated in Hong Kong with limited liability and a 75% subsidiary of Phoenix BVI prior to completion of the acquisition by Phoenix BVI from Regal Fame of the latter’s 25% shareholding in Phoenix Metropolis Media
“PMM Beijing”	Phoenix Metropolis Media (Beijing) Company Limited, 鳳凰都市(北京)廣告傳播有限公司, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of PMM Communication prior to completion of the Capital Increase

“PMM Communication”	Phoenix Metropolis Communication (Beijing) Company Limited, 鳳凰都市文化傳播(北京)有限公司, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Phoenix Metropolis Media Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Phoenix Metropolis Media
“PMM Group”	Phoenix Metropolis Media and its subsidiaries
“PRC”	the People’s Republic of China
“Regal Fame”	Regal Fame Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Regal Fame Controlling Shareholders”	Mr. Wang and Mr. Li

Note: For the purpose of illustration only and unless otherwise provided herein, in this announcement, the amounts quoted in RMB have been converted into HK\$ at the rate of RMB0.8344 to HK\$1. 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 at all.

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

Hong Kong, 27 July 2011

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); 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; Mr. GONG Jianzhong

Independent Non-executive Directors

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

Alternate Directors

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