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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)

**CONNECTED TRANSACTIONS
CAPITAL INJECTION TO THE TARGET COMPANY
GRANT OF CALL OPTION AND PUT OPTION**

On 20 May 2016, Huibo, an indirect wholly-owned subsidiary of the Company, Mr. He Xin, Mr. Zhang Zhen and the Target Company entered into the Investment Agreement, pursuant to which Huibo has conditionally agreed to make a capital contribution of RMB38,136,000 (equivalent to approximately HK\$45,606,842) to subscribe for an additional of approximately 1.25% equity interest in the Target Company as enlarged by the Capital Increase.

The Other Investors had also entered into the Other Investment Agreements with the Target Company, respectively, to subscribe for an aggregate of approximately 4.88% equity interest in the Target Company as enlarged by the Capital Increase for the capital contribution in the aggregate amount of RMB165,000,000 (equivalent to approximately HK\$197,323,500).

Upon Completion, the Company will indirectly hold an aggregate of approximately 10.63% equity interest in the Target Company through Huibo as to approximately 5.94% as enlarged by the Capital Increase and Tianying as to approximately 4.69% as diluted by the Capital Increase.

In addition to the Capital Injection, Huibo was granted (i) the Call Option, pursuant to which in the event that the Target Company cannot achieve any of the required transaction amount or revenue for the year ending 31 December 2016 or 2017, it shall be entitled to request Mr. He Xin and Mr. Zhang Zhen to transfer to Huibo part of their equity interest in the Target Company at the consideration of RMB1.00 for each actual amount of registered capital to be contributed without any premium; and (ii) the Put Option, pursuant to which in the event that the Target Company fails to list,

or decides not to list, on a recognized stock exchange in or outside the PRC before 31 December 2020, Huibo shall be entitled to request the Target Company to repurchase those equity interest held by Huibo (save and except the initial equity interest of approximately 4.69%) at certain specified consideration on or before 31 January 2021.

As Mr. He Xin, the controlling shareholder of the Target Company, is the son-in-law of Mr. Liu Changle, who is the Chairman of the Board and Chief Executive Officer of the Company, both Mr. He Xin and the Target Company are connected persons of the Company under the Listing Rules and accordingly the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio in respect of each of the Transactions, alone or aggregated, exceed 0.1% but less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 20 May 2016, Huibo, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with Mr. He Xin, Mr. Zhang Zhen and the Target Company, pursuant to which Huibo conditionally agreed to make a capital contribution of RMB38,136,000 (equivalent to approximately HK\$45,606,842) in cash to subscribe for an additional of approximately 1.25% equity interest in the Target Company as enlarged by the Capital Increase.

The Other Investors had also entered into the Other Investment Agreements with the Target Company, respectively, to subscribe for an aggregate of approximately 4.88% equity interest in the Target Company as enlarged by the Capital Increase for the capital contribution in the aggregate amount of RMB165,000,000 (equivalent to approximately HK\$197,323,500).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Other Investors are Independent Third Parties.

As at the date of this announcement, the Company indirectly held an aggregate of 10% equity interest in the Target Company through Huibo and Tianying (an indirect non-wholly owned subsidiary of the Company) as to 5%, respectively.

Upon Completion, the Company will indirectly hold an aggregate of approximately 10.63% equity interest in the Target Company through Huibo as to approximately 5.94% as enlarged by the Capital Increase and Tianying as to approximately 4.69% as diluted by the Capital Increase.

Any subsequent transfer of the equity interest in the Target Company shall be subject to the pre-emptive rights of other shareholders and other procedural requirements under the laws of the PRC.

THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are as follows:

- Date: 20 May 2016
- Parties:
- (1) Huibo;
 - (2) Mr. He Xin, the controlling shareholder of the Target Company and a connected person of the Company;
 - (3) Mr. Zhang Zhen, a substantial shareholder of the Target Company; and
 - (4) The Target Company, a connected person of the Company
- Consideration: RMB38,136,000 (including approximately RMB132,614 as contribution to the registered capital and approximately RMB38,003,386 as payment for the premium)
- Condition Precedents: The Investment Agreement is conditional upon all conditions having been satisfied unless otherwise waived (in part or in whole), including, inter alia:
- (i) Huibo having completed all internal and external procedures within 30 days upon the execution of the Investment Agreement;
 - (ii) the Other Investors having paid all their respective capital injection;
 - (iii) founders of the Target Company having executed the relevant non-competition deed, non-disclosure agreement, employment contracts with the Target Company; and
 - (iv) the shareholders of the Target Company having passed the shareholders' resolutions in approving the Capital Injection and the transactions contemplated thereunder.

Payment terms: The consideration shall be paid in one lump sum in cash within 14 working days upon the fulfillment of all condition precedents

Appointment of Director: Huibo shall be entitled to appoint one director to the board of directors of the Target Company which will comprise seven directors in total

Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the counter parties to the Investment Agreement are Independent Third Parties.

Amount of capital injection by Huibo and the Other Investors

Pursuant to the terms of the Investment Agreement and the Other Investment Agreements, the capital injection amount by Huibo is RMB38,136,000 (including approximately RMB132,614 as contribution to the registered capital and approximately RMB38,003,386 as payment for the premium); and the aggregate capital injection amount by the Other Investors is RMB165,000,000 (including approximately RMB519,842 as contribution to the registered capital and approximately RMB164,480,158 as payment for the premium).

Registered Capital and equity interest of the Target Company

The respective equity interest in the Target Company held by the existing owners and the Other Investors as at the date of this announcement and immediately after Completion (assuming that all the transactions under the Investment Agreement and the Other Investment Agreements have been completed) are set out below:

	As at the date of this announcement		Immediately after the Completion	
	Amount of registered capital contributed (RMB'000)	Approximate percentage of equity interest	Aggregate amount of registered capital contributed and to be contributed (RMB'000)	Approximate percentage of equity interest as enlarged by the Capital Increase
Mr. He Xin	7,667	76.67%	7,667	71.97%
Mr. Zhang Zhen	1,000	10.00%	1,000	9.39%
Tianying	500	5.00%	500	4.69%
Huibo	500	5.00%	633	5.94%
北京國科鼎鑫投資中心 (有限合夥) (Beijing Guoke Dingxin Investment Centre*)	250	2.50%	250	2.35%
北京五五東方瑞泰創業 投資有限公司 (Beijing Wuwu Dongfang Ruitai Chuangye Investment Company Limited*)	83	0.83%	83	0.78%
The Other Investors	–	–	520	4.88%
	10,000	100%	10,653	100%

Basis for determination of capital injection amount

The amount of Capital Injection was arrived at after arm's length negotiation and taking into account the factors including, inter alia: (i) the basis for the prices at which the Other Investors subscribed for the equity interest in the Target Company under the Other Investment Agreements (including the valuation of US\$500,000,000 determined with reference to similar businesses in the industry as agreed between the parties of the Other Investment Agreements); (ii) the original right for Huibo under the Shareholder Agreement to subscribe for equity interest at a 10% discount from the subscription price offered to the other party; (iii) the possible growth and development of the Target Company's business and the potential prospects of internet finance market in the PRC; and (iv) the financial resources of the Group.

The Capital Injection will be funded by internal resources of the Group.

According to the Investment Agreement, the Target Company will use the proceeds from the Capital Injection for its business development.

Call Option

Pursuant to the Investment Agreement, the Target Company, being an internet finance company, has undertaken that:

- (a) the transaction amount in respect of its services and products provided for the year ending (i) 31 December 2016 shall not be less than RMB15,000 million and (ii) 31 December 2017 shall not be less than RMB30,000 million; and
- (b) its revenue for the year ending (i) 31 December 2016 shall not be less than RMB80 million and (ii) 31 December 2017 shall not be less than RMB200 million.

Huibo was granted the Call Option under the Investment Agreement at no additional consideration, pursuant to which in the event that the Target Company cannot achieve any of the above transaction amount or revenue for the year ending 31 December 2016 or 2017 pursuant to the audited financial statements or other documentary evidence, it shall be entitled to request Mr. He Xin and Mr. Zhang Zhen to transfer to Huibo part of their equity interest in the Target Company at the consideration of RMB1.00 for each actual amount of registered capital to be contributed without any premium such that the percentage of equity interest to be held by Huibo shall become:

Percentage of equity interest held by Huibo before transfer	x	$\frac{\text{The required transaction amount for the year ending 31 December 2016/2017}}{\text{The actual transaction amount for the year ending 31 December 2016/2017}}$
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Or

Percentage of equity interest held by Huibo before transfer	x	$\frac{\text{The required revenue for the year ending 31 December 2016/2017}}{\text{The actual revenue for the year ending 31 December 2016/2017}}$
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whichever is the lower, provided that the maximum percentage of equity interest to be held by Huibo after transfer shall not exceed 10% (not including its initial equity interest of approximately 4.69%). The consideration payable upon the exercise of the Call Option was arrived after arm’s length negotiation with reference to the amount of actual contribution to be paid as the registered capital of the Target Company without any additional premium and will be funded by the internal resources of the Group. The transfer shall be completed within 60 business days after Huibo issues the request.

Mr. He Xin and Mr. Zhang Zhen contributed to the registered capital of the Target Company which is subject to the Call Option on a dollar-to-dollar basis without any premium.

Put Option

Huibo was granted the Put Option under the Investment Agreement at no additional consideration, pursuant to which in the event that the Target Company fails to list, or decides not to list, on a recognized stock exchange in or outside the PRC before 31 December 2020, Huibo shall be entitled to request the Target Company to repurchase those equity interest held by Huibo (save and except the initial equity interest of approximately 4.69%) at the consideration equivalent to the aggregate of the initial investment costs of the relevant equity interest and the return of investment based on an annual rate of return of 10%, which was arrived after arm's length negotiation reflecting the expected rate of return with reference to borrowing cost, interest rate and prevailing market return rate, on or before 31 January 2021. The proceeds will be used for general working capital of Huibo.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC on 22 August 2014. As at the date of this announcement, the paid-up registered capital of the Target Company is RMB10 million. The Target Company is an internet finance company principally engaged in the provision of platforms for Peer-to-Peer (“P2P”) online lending and rewards-based crowd-funding business.

Set out below are the financial information of the Target Company for each of the year ended 31 December 2014 and 31 December 2015 based on the audited financial statements and unaudited management accounts of the Target Company prepared in accordance with the PRC accounting standards:

	For the year ended 31 December 2014 <i>(RMB'000)</i> <i>(audited)</i>	For the year ended 31 December 2015 <i>(RMB'000)</i> <i>(unaudited)</i>
Revenue	1,393	76,144
Net loss after tax and extraordinary items	8,049	71,970
Net asset/(liabilities) value	1,951	(70,019)

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION, CALL OPTION AND PUT OPTION

After considering the possible growth and development of the Target Company, should the Capital Injection is not carried out by Huibo and the Other Investors complete their respective capital injection to the Target Company in accordance with the Other Investment Agreements, the Other Investors will gain an aggregate equity interest of approximately 4.94% in the Target Company and the equity interest in the Target Company of Huibo will be diluted to approximately 4.75%.

In addition to the mitigation of the dilution effect from capital injection by the Other Investors under the Investment Agreement, the Capital Injection allows Huibo to negotiate to subscribe for further equity interest in the Target Company at the same discount rate pursuant to the Shareholder Agreement and enables the Group to maintain its level of equity interest at around 10% in the Target Company.

The Call Option and the Put Option provide Huibo the flexibility to increase or reduce the equity interest in the Target Company depending on the future performance and the business plan of the Target Company.

The Directors (including the independent non-executive Directors) consider the Transactions, which were reached based on arm's length negotiations, to be on normal commercial terms or better, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and its shareholder as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As Mr. He Xin, the controlling shareholder of the Target Company, is the son-in-law of Mr. Liu Changle, who is the Chairman of the Board and Chief Executive Officer of the Company, both Mr. He Xin and the Target Company are therefore connected persons of the Company under the Listing Rules and accordingly the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Mr. Liu Changle has abstained from voting on the board resolutions approving the Transactions.

As the applicable percentage ratios in respect of each of the Transactions, alone or aggregated, exceeds 0.1% but less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will make further announcement(s) upon the exercise, non-exercise or expiry of the Call Option or the Put Option in accordance with the Listing Rules.

GENERAL

The Group is a satellite television operator and, through its subsidiaries, is a leading satellite television operator broadcasting in the PRC and it also provides new media services.

Unless otherwise stated in this announcement and for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.1959. Such exchange rates have been used, where applicable, for the purpose of illustration only and do not constitute representations 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 terms shall have the meanings as set out below:

“Board”	the board of directors of the Company
“Call Option”	the call option granted to Huibo under the Investment Agreement, which can be exercised at the discretion of Huibo upon satisfaction of certain condition to request Mr. He Xin and Mr. Zhang Zhen to transfer part of their equity interest in the Target Company
“Capital Increase”	the Capital Injection together with the capital injection by the Other Investors in an aggregate amount of RMB203,136,000 (including approximately RMB652,456 as contribution to the registered capital and approximately RMB202,483,544 as payment for the premium)
“Capital Injection”	the capital injection in which Huibo subscribed for an additional of approximately 1.25% equity interest in the Target Company as enlarged by the Capital Increase pursuant to the Investment Agreement
“Chenggao”	Shanghai Chenggao Investment Partnership Enterprises* (上海呈高投資合夥企業), a limited partnership established in the PRC
“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
“Completion”	the completion of the Capital Increase

“Directors”	the directors of the Company, including independent non-executive directors
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	the lawful currency of Hong Kong
“Huarong”	Jiujiang Huarong Dingtai Investment Centre* (九江華融鼎泰投資中心), a limited partnership established in the PRC
“Huibo”	Beijing Huibo Advertisement Media Limited Company* (北京滙播廣告傳媒有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	a party or parties who is/are not connected person(s) of the Company and who together with its ultimate beneficial owner(s) are independent of the Company and the connected persons of the Company
“Investment Agreement”	the investment agreement dated 20 May 2016 (as supplemented by a supplemental agreement of even date) entered into between Huibo, Mr. He Xin, Mr. Zhang Zhen and the Target Company
“Jiaxing”	Jiaxing Ruifu Investment Partnership Enterprise* (嘉興瑞福投資合夥企業), a limited partnership established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Investment Agreements”	various investment agreements entered into between each of the Other Investors with Mr. He Xin, Mr. Zhang Zhen and the Target Company respectively
“Other Investor(s)”	Zhonghe, Chenggao, Yinchuan, Huarong and Jiaxing, which to the best of the Director’s knowledge, information and belief and having made all reasonable enquiries, are Independent Third Parties

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Put Option”	the put option granted to Huibo under the Investment Agreement, which can be exercised at the discretion of Huibo upon satisfaction of certain condition to request the Target Company to repurchase certain equity interest in the Target Company
“RMB”	the lawful currency of the PRC
“Shareholder Agreement”	the shareholder agreement in respect of the Target Company dated 29 January 2015 entered into between Mr. He Xin, Mr. Zhang Zhen, Huibo and Tianying
“Target Company”	Beijing Phoenix Li Li Ta Information Technology Co, Ltd.* (北京鳳凰理理它信息技術有限公司), a company established in the PRC with limited liability
“Tianying”	Beijing Tianying Jiuzhou Network Technology Company Limited* (北京天盈九州網絡技術有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Transactions”	collectively, the Capital Injection, the grant of Call Option and Put Option
“US\$”	the lawful currency of the United States of America
“Yinchuan”	Yinchuan Fenghuang Zhifu Equity Investment Fund Partnership Enterprise* (銀川鳳凰志賦股權投資基金合夥企業), a limited partnership established in the PRC
“Zhonghe”	China United SME Guarantee Corporation* (中合中小企業融資擔保股份有限公司), a company established in the PRC with limited liability

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

Hong Kong, 20 May 2016

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. SHA Yuejia; Mr. GAO Nianshu; Mr. GONG Jianzhong; Mr. SUN Yanjun

Independent Non-executive Directors

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

Mr. FANG Fenglei

Alternate Director

Mr. LAU Wai Kei, Ricky (an alternate director to Mr. SUN Yanjun)

* *For identification purposes only*