

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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)**

**CONTINUING CONNECTED TRANSACTIONS:  
NEW MEDIA CCT WITH CMCC GROUP**

The Company expects that the PNM Group will, in the ordinary and usual course of business in the foreseeable future, continue to engage in New Media CCT with CMCC Group, which will constitute non-exempt continuing connected transactions of the Company.

Historically, the Shareholders had, following the extraordinary general meeting of the Company held on 9 December 2010, approved, confirmed and ratified New Media CCT between PNM Group and CMCC Group and the relevant annual caps for the three years from 1 January 2010 to 31 December 2012.

The Company will therefore convene the EGM for the purpose of seeking the approval of the Independent Shareholders for New Media CCT and the Annual Caps for each of the three years from 1 January 2013 to 31 December 2015. As required by the Listing Rules, CMHKG and its associates will abstain from voting at the EGM.

The Independent Board Committee has been constituted to advise the Independent Shareholders in relation to the Transactions. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to New Media CCT and the Annual Caps.

A circular containing, inter alia, further details of the Transactions, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders together with the notice of EGM, is expected to be despatched to the Shareholders on or before 19 November 2012.

## INTRODUCTION

The Group is a satellite television operator and, through its subsidiaries, is a leading satellite television operator broadcasting in the PRC. The Group has also in recent years been developing outdoor advertising and carries on new media businesses (provision of website portal and value-added telecommunications services) through PNM Group.

CMCC Group is a leading mobile telecommunications services provider in the PRC, providing mobile telecommunications and related services in all 31 provinces, autonomous regions and directly-administered municipalities in the PRC and in Hong Kong.

CMHKG is a substantial shareholder of the Company holding approximately 19.69% of the issued share capital of the Company through CMHKG's wholly-owned subsidiary Extra Step Investments Limited. Members of CMCC Group are therefore connected persons of the Company under the Listing Rules.

As China Mobile Limited is a leading mobile telecommunications services provider in the PRC, and PNM Group provides value-added telecommunications services in the PRC, members of the PNM Group have been entering into New Media CCT with members of the CMCC Group in the ordinary course of business in the past, and the Company expects that the PNM Group will, in the ordinary and usual course of business in the foreseeable future, continue to engage in New Media CCT with members of CMCC Group. With the growth of the telecommunications industry and the development of new telecommunication devices, the new media businesses and, correspondingly, New Media CCT, are expected to grow at a significant rate in the three years from 1 January 2013 to 31 December 2015. Such New Media CCT would constitute non-exempt continuing connected transactions under the Listing Rules.

Due to the diverse nature of the transactions involved, the huge number of companies in CMCC Group and the common market practice in the PRC value-added telecommunications services industry for a separate contract to be negotiated and entered into for each particular product or service, the Company considered that it was not feasible for the Company to comply strictly with the requirement of Rule 14A.35(1) to enter into a written framework agreement at the outset in 2010 to cover all New Media CCT with the CMCC Group.

The Company therefore applied for a waiver, which was granted by the Stock Exchange on 22 April 2010, from strict compliance with the requirement under Rule 14A.35(1) to enter into a framework agreement with CMCC Group at the outset covering all of the expected New Media CCT for the two years ended on 31 December 2010 and 2011 respectively and for the year ending on 31 December 2012, subject to the conditions disclosed in the 25 October 2010 Announcement. The Shareholders approved, confirmed and ratified the New Media CCT between PNM Group and CMCC Group and the relevant annual caps for the three years from 1 January 2010 to 31 December 2012, at the extraordinary general meeting of the Company held on 9 December 2010.

The Company proposes to renew this streamlined approach to New Media CCT. In connection with this, the Company applied for a waiver, which the Stock Exchange granted, from strict compliance with the requirement under Rule 14A.35(1) to enter into a framework agreement with CMCC Group at the outset covering all New Media CCT for the three years from 1 January 2013 to 31 December 2015. The Company proposes to seek Independent Shareholders' approval of the Transactions at the EGM.

## **NEW MEDIA CCT**

### **Subject matter and nature of transactions**

The New Media CCT for the two years ended on 31 December 2010 and 2011 respectively and for the year ending on 31 December 2012 were approved, confirmed and ratified by the Independent Shareholders at the extraordinary general meeting of the Company held on 9 December 2010. Depending on the nature of the transaction, the Company has re-categorised the New Media CCT into the following seven categories:

1. rental of IDC (Internet Data Center) facilities from CMCC Group;
2. provision by CMCC Group of fee calculation and collection services in respect of value-added telecommunications contents PNM Group makes available on CMCC Group's value-added content platforms, such as short messaging contents, multi media contents, IVR (Interactive Voice Response) products;
3. purchase by CMCC Group of value-added telecommunications contents based on programs available on the Group's channels, seminars and other promotional activities conducted by the Group's presenters, ad hoc promotional activities undertaken with or sub-contracted by CMCC Group, such as fan club events and formulating marketing plans for specific projects;
4. provision by the PNM Group of marketing or advertising services for the promotion of CMCC Group brand, products or mobile platforms using PNM Group's web-based or mobile platforms;
5. provision by CMCC Group of information services to the PNM Group to enable the PNM Group to dispatch multimedia messages via the telecommunications network of CMCC Group;
6. provision by PNM Group of products or applications for mobile handsets, including but not limited to games, news or audiovisual products or applications, made available for consumer download on CMCC Group mobile telecommunications platforms, including but not limited to the platform currently known as "Mobile Market"; and

7. other products and/or services in connection with or in respect of the provision of website portal, value added telecommunications, promotional and ancillary services by and to members of the PNM Group to and by members of the CMCC Group.

### **Parties**

Each existing New Media CCT is governed by a separate written contract and entered into by the relevant member(s) of the PNM Group with the relevant member(s) of CMCC Group, depending on the nature of the transaction and geographical location.

So far as the Company is aware, each of the existing contracts for New Media CCT was separately negotiated on an arm's length basis with the relevant member of CMCC Group.

**Pricing bases**

The pricing bases for existing New Media CCT can be summarised as follows:

<b>Description of transaction</b>	<b>Pricing basis</b>
1. Rental of IDC (Internet Data Center) facilities from CMCC Group	For a fixed fee determined by reference to the market price or industry standards with a discount negotiated on an arm's length basis
2. Fee calculation and collection services provided by CMCC Group in respect of value-added telecommunications contents PNM Group makes available on CMCC Group's platforms	(i) For payment via mobile service, CMCC Group is entitled to 0.3% and 5% respectively, or such other percentages determined by reference to the market price or industry standards negotiated on an arm's length basis, of the amounts paid in cash and by mobile fee recharge card by subscribers via such service  (ii) For short messaging, WAP, IVR, multi media messaging and music contents, CMCC Group is entitled to 15% to 65% of the data service fees collected from subscribers, or such other percentage determined by reference to the market price or industry standards negotiated on an arm's length basis; for short messaging and multi media messaging contents, CMCC Group also charges PNM Group an "information flow imbalance" fee based on the difference between the number of short or multi media messages PNM Group sends to subscribers and the number of short or multi media messages subscribers send to PNM Group

Description of transaction	Pricing basis
<p>3. (i) Purchase of value-added telecommunications contents based on programs available on the Group's channels, seminars and other promotional activities conducted by the Group's presenters</p> <p>(ii) Ad hoc promotional activities undertaken with or subcontracted by CMCC Group</p>	<p>(i) For a fixed fee or a profit-sharing basis determined by reference to industry standards negotiated on an arm's length basis taking into account the substantial subscriber base of CMCC Group on the one hand, and the unique contents provided by PNM Group on the other hand</p> <p>(ii) On a cost plus reasonable profit margin basis</p>
<p>4. Provision by the PNM Group of marketing or advertising services for the promotion of CMCC Group brand, products or mobile platforms using PNM Group's web-based or mobile platforms</p>	<p>For a fixed fee determined by reference to the market price or industry standards with a discount negotiated on an arm's length basis</p>
<p>5. Provision by CMCC Group of information services to the PNM Group to enable PNM Group to dispatch multimedia messages via the telecommunications network of CMCC Group</p>	<p>For a fixed fee determined by reference to the market price or industry standards negotiated on an arm's length basis</p>
<p>6. Provision by PNM Group of products or applications for mobile handsets, including but not limited to games, news or audiovisual products or applications, made available for consumer download on CMCC Group mobile telecommunications platforms, including but not limited to the platform currently known as "Mobile Market"</p>	<p>For a fixed fee or a profit-sharing basis determined by reference to the market price or industry standards negotiated on an arm's length basis</p>

<b>Description of transaction</b>	<b>Pricing basis</b>
7. Other products and/or services in connection with or in respect of the provision of website portal, value added telecommunications, promotional and ancillary services by and to members of the PNM Group to and by members of the CMCC Group	At market price or in line with industry standards with such discount or other concessional terms to the Group's commercial interests, or where there are no comparable market price or industry standards, on terms no less favourable to the Group than those offered to or from independent third parties (as the case may be)

In relation to each category of the New Media CCT mentioned above except category 3(ii), "market price" is determined by ascertaining the prevailing prices at which the same or similar type of products or services are provided by or to or between independent third parties under normal commercial terms in the ordinary course of business, and "industry standards" are determined by ascertaining the standard or normal pricing terms under which the same or similar type of products or services are provided by or to or between independent third parties for the industry concerned under normal commercial terms in the ordinary course of business, in each case taking into account the applicable circumstances including but not limited to costs, resources, experience, quality and technology of the relevant products, services and counterparty. The pricing terms for New Media CCT cannot be fixed in advance because it is industry and market practice that each New Media CCT is subject to negotiation and prevailing market conditions at the time that it is entered into and there is no government regulated fixed pricing for the transactions concerned.

### **Term**

Other than the contract for rental of the IDC (Internet Data Center) facilities from CMCC Group which is for an indefinite term from 1 July 2008, each of the existing New Media CCT entered into or to be entered into by PNM Group up to 31 December 2012 is for a term not exceeding three years, in accordance with the waiver granted on 22 April 2010 and as approved, confirmed and ratified by the Shareholders at the extraordinary general meeting of the Company held on 9 December 2010.

### **Internal control policy and procedures**

The Company and PNM Group have an established internal controls system for connected transactions which applies to itself as well as the PNM Group to monitor the execution and implementation of connected transactions, including a specific internal control policy regarding control over the terms of and annual caps for the New Media CCT. The Company's connected transaction policy has been circulated to the relevant staff in the PNM Group and each subsidiary thereof has been required to have in place a system to give effect to the policy.



The principal features of this system in respect of the New Media CCT are as follows:

1. In respect of each New Media CCT, the relevant contract is subject to review by Phoenix New Media, and cannot be entered into prior to the approval being given by Phoenix New Media. Phoenix New Media will review the terms (including pricing basis) of each of the New Media CCT, with a view to their compliance with Listing Rules and the terms as approved by the shareholders of the Company as well as the conditions of the waiver granted by the Stock Exchange in relation to Rule 14A.35(1).
2. In order to ensure the market pricing basis of each New Media CCT will be strictly followed:
  - (i) where PNM Group is purchasing products or services, Phoenix New Media will obtain a number of quotations, where practicable and available, for or ascertain, through publicly available information from sources such as websites, the prevailing prices offered by independent third parties or CMCC Group to independent third party customers for such products or services, or ensure that the relevant terms offered by CMCC Group to PNM Group will not be less favourable to PNM Group than comparable terms offered by independent third parties to PNM Group;
  - (ii) where PNM Group is selling products or providing services, Phoenix New Media will have regard to the prevailing prices offered by PNM Group to independent third parties or ascertain, through publicly available information from sources such as websites, the prevailing prices offered by independent third parties for such products or services, or ensure that the relevant terms offered by PNM Group to CMCC Group will not be more favourable to CMCC Group than comparable terms offered by PNM Group to independent third parties; and
  - (iii) where comparable on-going New Media CCT exist, Phoenix New Media will have regard to the relevant terms thereof and, where the terms differ, Phoenix New Media will compare the differences, taking into account current market terms and industry standards.
3. Phoenix New Media monitors the value of each New Media CCT and the accrued value for such transactions over the course of each relevant year, and produces internal monthly information for this every month. Such information is consolidated for reporting to the board of the Company on a regular basis.
4. In addition, Phoenix New Media has established a “warning” system whereby once the accrued value of the New Media CCT in any relevant year reaches 80% of the relevant annual cap, Phoenix New Media will notify the board of the Company with a view to avoiding the carrying on of the transactions in excess of the annual cap.



## **REASONS FOR ENTERING INTO NEW MEDIA CCT**

As described above, China Mobile Limited is a leading mobile telecommunications services provider in the PRC, and PNM Group provides value-added telecommunications services in the PRC. The Company therefore expects that members of the PNM Group will, in the ordinary and usual course of business in the foreseeable future, continue to engage in New Media CCT with members of CMCC Group. The growing telecommunications industry and the development of new telecommunication devices mean that the new media business and New Media CCT are expected to grow at a significant rate in the three years from 1 January 2013 to 31 December 2015. The New Media CCT are therefore expected to be entered into in the ordinary and usual course of business of the Group on arm's length terms and on substantially similar terms with members of CMCC Group. The Company proposes to renew the streamlined approach to New Media CCT of seeking Independent Shareholders' approval of the Transactions at the EGM.

## **LISTING RULE IMPLICATIONS**

As described above, the Company expects that members of the PNM Group will, in the ordinary and usual course of business in the foreseeable future, continue to enter into New Media CCT, which will constitute non-exempt continuing connected transactions.

In order to seek approval from Independent Shareholders of such new New Media CCT in accordance with the requirements of the Listing Rules, Rule 14A.35(1) of the Listing Rules requires that the Company enter into written agreement(s) with CMCC Group beforehand, setting out the basis of the calculation of the payments to be made. However, due to the diverse nature of the transactions involved, the huge number of companies in CMCC Group and the common market practice in the PRC value-added telecommunications services industry for a separate contract to be negotiated and entered into for each particular product or service, the Company considered that it is not feasible for the Company to comply strictly with the requirement of Rule 14A.35(1) to enter into a written framework agreement at the outset to cover all future New Media CCT with CMCC Group.

Accordingly, the Company applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 14A.35(1) to enter into a framework agreement with CMCC Group at the outset covering all of the expected future New Media CCT for the three years from 1 January 2013 to 31 December 2015, subject to the following conditions:

1. the waiver will only apply to New Media CCT;
2. a separate written agreement will be entered into for each such transaction, for a term not exceeding three years;

3. each such transaction will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms (or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties), and which are fair and reasonable and in the interests of the shareholders of the Company as a whole;
4. the pricing basis will be the same (or on better terms for the Group) as those set out under the column headed “Pricing basis” in the section headed “Pricing bases” of this announcement;
5. Independent Shareholders’ approval will be sought for the Transactions; and
6. all other applicable disclosure, reporting and shareholders’ approval requirements under Chapter 14A of the Listing Rules will be complied with.

The Company will comply with the requirements under Chapter 14A of the Listing Rules for any specific transaction entered into between any member of the PNM Group and CMCC Group under terms that are outside the scope of, or pricing bases for, the New Media CCT approved by the Shareholders pursuant to the EGM.

#### **HISTORICAL AMOUNTS AND ANNUAL CAPS**

The annual caps approved by the Shareholders for the aggregate service charges paid/payable by PNM Group to CMCC Group, and by CMCC Group to PNM Group in respect of New Media CCT for the two years ended 31 December 2010 and 2011 and for the year ending 31 December 2012 were RMB153,000,000 (HK\$175,950,000), RMB289,000,000 (HK\$332,350,000) and RMB539,000,000 (HK\$619,850,000) respectively (based on the rate of RMB1 to HK\$1.15, as used in the 25 October 2010 Announcement).

Based on the respective published, audited and consolidated annual financial statements of the Group for the year ended 31 December 2010 and the year ended 31 December 2011, the historical values for New Media CCT were RMB146,036,000 (HK\$167,462,000, based on the rate of RMB1 to HK\$1.15 as used in the annual report of the Company for the year ended 31 December 2010) for 2010 and RMB210,479,000 (HK\$252,782,000, based on the rate of RMB1 to HK\$1.20 as used in the annual report of the Company for the year ended 31 December 2011) for 2011. Based on the unaudited interim results of the Group for the six months ended 30 June 2012, the value of the New Media CCT for the six months ended 30 June 2012 was approximately RMB100,500,000 (HK\$121,403,000, based on the rate of RMB1 to HK\$1.21 as used in the interim results of the Company for the six months ended 30 June 2012).

Having regard to these historical amounts, the Company proposes the Annual Caps of RMB552,260,472 (approximately HK\$673,757,776), RMB622,489,019 (approximately HK\$759,436,603), and RMB729,455,470 (approximately HK\$889,935,673) respectively for the three years ending 31 December 2013, 2014 and 2015. The calculation of the Annual Caps is also based on the following reasons:

1. the business plan of PNM Group to continue developing its new media businesses and increase on an annual basis New Media CCT (in areas such as mobile entertainment applications, seminars and other promotional activities conducted by the PNM Group's presenters and marketing services using multimedia messaging service or similar) will result in further transactions with CMCC Group over the next three years;
2. the new media businesses of CMCC Group will continue to grow in the near future, including in New Media CCT such as mobile audiovisual, music, animation and print publication content and will therefore engage the PNM Group further in respect of New Media CCT; and
3. with the website operated by PNM Group becoming more established, and with the increased cooperation between CMCC Group and PNM Group in respect of New Media CCT, PNM Group expects that CMCC Group will increase its budget for engaging PNM Group for the provision of marketing and advertising services.

### **EXTRAORDINARY GENERAL MEETING**

The Company will convene the EGM for the purpose of seeking the approval of the Independent Shareholders for the Transactions. As required by the Listing Rules, CMHKG and its associates will abstain from voting at the EGM. Two Directors of the Company, namely Mr. SHA Yuejia and Mr. GAO Nianshu, are Directors nominated by a member of the CMCC Group and have accordingly abstained from voting on the board resolutions approving the Transactions.

The Independent Board Committee has been constituted to advise the Independent Shareholders in relation to the Transactions. First Shanghai Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to New Media CCT and the Annual Caps.

A circular containing, inter alia, further details of the Transactions, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders together with the notice of EGM, is expected to be despatched to the Shareholders on or before 19 November 2012.

The Directors (other than the independent non-executive Directors whose opinion will be provided after receiving the advice of the independent financial adviser) believe that the Annual Caps are fair and reasonable in so far as the Company and the Shareholders are concerned. The Independent Board Committee will give their recommendations, after taking into account the advice of the independent financial adviser, in their letter to the Independent Shareholders to be included in the Company's circular.

## DEFINITIONS

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

"25 October 2010 Announcement"	announcement of the Company made on 25 October 2010
"Annual Caps"	the proposed annual cap amounts for New Media CCT for the three years ending 31 December 2013, 2014 and 2015, as set out in the section headed "Historical Amounts and Annual Caps" of this announcement
"associates"	has the meaning ascribed to it under the Listing Rules
"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 associates
"CMHKG"	China Mobile (Hong Kong) Group Limited, a company incorporated in Hong Kong with limited liability and is a subsidiary of CMCC
"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
"Director(s)"	director(s) of the Company
"EGM"	extraordinary general meeting of the Company to be convened for approving the Transactions
"GEM"	the Growth Enterprise Market of the Stock Exchange
"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 People’s Republic of China
“Independent Board Committee”	independent committee of the board of Directors of the Company comprising the independent non-executive Directors, namely, Dr. LO Ka Shui, Messrs. LEUNG Hok Lim and Thaddeus Thomas BECZAK
“Independent Shareholders”	Shareholders other than CMHKG and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“New Media CCT”	provision of website portal and value-added telecommunications services by and to PNM Group to and by CMCC Group, including but not limited to those transactions described in this announcement
“Phoenix New Media”	Phoenix New Media Limited, a company incorporated in the Cayman Islands with limited liability, an indirectly-owned subsidiary of the Company
“PNM Group”	Phoenix New Media and its subsidiaries
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transactions”

New Media CCT on substantially similar terms as those set out in the section headed “New Media CCT” of this announcement for each of the three years from 1 January 2013 to 31 December 2015, and the Annual Caps

*In this announcement, unless otherwise specified, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1 to HK\$1.22. 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, 26 October 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); 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. 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)*