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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold all your shares in Phoenix Satellite Television Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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)

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent financial adviser to the Independent Board Committee



冠聯金融

ALPHA ALLIANCE

Alpha Alliance Securities Limited

A letter from the Independent Board Committee dated 10 June 2003 is set out on page 23 of this circular.

A letter from Alpha Alliance Securities Limited, the independent financial adviser, containing its advice to the Independent Board Committee dated 10 June 2003 is set out on pages 24 to 32 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 8/F, One Harbourfront, 18-22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on 26 June 2003 at 3:00 p.m. is set out on pages 39 to 40 of this circular. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjourned meetings. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the meeting or any adjourned meetings should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.

10 June 2003

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“4A”	Association of Accredited Advertising Agency
“Alpha Alliance”	Alpha Alliance Securities Limited, a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), the independent financial adviser appointed to advise the Independent Board Committee in respect of the Connected Transactions
“Agreements”	the New Star Services Agreement, the ATV Bundle Distribution Agreement, the ATV Programme Licensing Agreement and the STAR Movies Agreement
“Announcement”	the announcement of the Company dated 29 May 2003 relating to the discloseable and Continuing Connected Transactions
“Associate(s)”	shall have the meaning ascribed thereto in Rule 1.01 of the GEM Listing Rules
“ATV”	Asia Television Limited, a television broadcaster operating in Hong Kong
“ATV Bundle Distribution Agreement”	the agreement dated 29 May 2003 between ATV and Phoenix (U.S.) in relation to the distribution of a bundle of channels in the United States and the provision of certain services and equipment to ATV by Phoenix (U.S.)
“ATV Programme Licensing Agreement”	the agreement dated 29 May 2003 between Phoenix HK and ATVE in relation to the supply of programmes from ATVE to Phoenix HK
“ATVE”	ATV Enterprises Limited, a subsidiary of ATV
“Commencement Date”	1 July 2003
“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 GEM
“Connected Transactions” or “Continuing Connected Transactions”	the transactions set out in the paragraph headed “Continuing Connected Transactions”
“Directors”	the directors of the Company

DEFINITIONS

“EchoStar”	EchoStar Satellite Corporation, the second largest direct-to-home operator in the U.S.
“EGM”	the extraordinary general meeting of the Company to be held to approve, confirm and/or ratify the Continuing Connected Transactions as well as other matters on or about 26 June 2003
“GEM”	the Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange
“Greater China Region”	Mainland China, Hong Kong, Taiwan and Macau
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising Dr. LO, Ka Shui and Mr. KUOK, Khoon Ean, both being independent non-executive Directors
“Latest Practicable Date”	6 June 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New Agreements”	the New Star Services Agreement, the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement
“News Corporation”	The News Corporation Limited, which is the ultimate holding company of STAR Holdings
“New Star Services Agreement”	the agreement dated 29 May 2003 between STARL and Phoenix HK for the provision of various services for the production and broadcast of the various channels operated by the Group and other services to Phoenix HK
“Old Star Services Agreement”	the agreement dated 15 June 2000 between STARL and Phoenix HK for the provision of various services including, inter alia, the transponder capacity, uplink and downlink services, network services, broadcast operations and engineering services and general services, including access to, and the use of, general office facilities, human resources and administrative services, management information system services and network traffic services

DEFINITIONS

“PCNE Channel”	Phoenix Chinese News and Entertainment Channel, a general entertainment television channel targeting Chinese audience in Europe
“Phoenix HK”	Phoenix Satellite Television Company Limited, a wholly-owned subsidiary of the Company
“Phoenix Chinese Channel”	a general entertainment television channel broadcasting via the ASIASAT 3S satellite and entertains audiences across Asia, South East Asia, Australia and the Middle East
“Phoenix InfoNews Channel”	news and information television channel broadcasting via the ASIASAT 3S satellite and entertains audiences across Asia, South East Asia, Australia and the Middle East
“Phoenix Movies”	Phoenix Satellite Television (Movies) Limited, a wholly-owned subsidiary of the Company
“Phoenix Movies Channel”	an encrypted pay-television channel operated by Phoenix which is broadcast via the ASIASAT 3S satellite and targeting audience primarily on the Mainland China
“Phoenix (U.S.)”	Phoenix Satellite Television (U.S.), Inc., a wholly owned subsidiary of the Company
“PNAC Channel”	Phoenix North America Chinese Channel, a general entertainment channel targeting Chinese audience in North America
“Proposed Annual Caps”	shall have the meaning ascribed thereto in item (b) of the paragraph headed “Conditions of Approval”
“Prospectus”	the prospectus of the Company dated 21 June 2000
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“STAR Filmed”	Star TV Filmed Entertainment Limited, a wholly owned subsidiary of News Corporation
“STAR Holdings”	Xing Kong Chuan Mei Group Co., Ltd., formerly known as STAR Television Holdings Limited, which owns approximately 37.6% interest in the Company as at the Latest Practicable Date, is the initial management shareholder and substantial shareholder of the Company (as defined in the GEM Listing Rules)

DEFINITIONS

“STAR Movies Agreement”	the agreement dated 15 June 2000 between STAR Filmed and Phoenix Movies, a wholly-owned subsidiary of the Company for the grant of a non-exclusive licence to engage in non-standard television exhibition of a certain selection of movies on the Phoenix Movies Channel in the PRC for a term of 10 years commencing from 28 August 1998
“STARL”	Satellite Television Asian Region Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of STAR Holdings
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Today’s Asia”	Today’s Asia Limited, a company holding 37.6% interest in the Company as at the Latest Practicable Date, with 93.3% and 6.7% of its issued share capital beneficially owned by Mr. LIU, Changle, the Chairman of the Company and Mr. CHAN, Wing Kee respectively
“U.S.” or “United States”	United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“Waiver”	the waiver granted by the Stock Exchange to the Company from strict compliance with the reporting and shareholders’ approval requirements under the GEM Listing Rules on 29 June 2000 in respect of the non-exempt connected transactions as described in the Prospectus under the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance”

Note: The US\$ amounts shown in this circular have been translated into HK\$ based on the exchange rate of US\$1.00 to HK\$7.8.

LETTER FROM THE BOARD



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)

Executive Directors:

LIU, Changle (*Chairman*)
CHUI, Keung

Non-executive Directors:

MURDOCH, James Rupert (*Vice-Chairman*)
CHURCHILL, Bruce Barrett
LAU, Yu Leung John
CHEUNG, Chun On Daniel
XU, Gang
CHEUNG, San Ping

Independent non-executive Directors:

LO, Ka Shui
KUOK, Khoon Ean

Registered Office:

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681GT, George Town
Grand Cayman
British West Indies

Principal Place of Business:

9/F, One Harbourfront
18-22 Tak Fung Street
Hung Hom
Kowloon
Hong Kong

10 June 2003

To Shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

With reference to the Announcement, the Directors would like to seek the independent Shareholders' approval of the New Star Services Agreement, the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement and the Proposed Annual Caps.

The purposes of this circular are to provide information on the Continuing Connected Transactions and to seek the independent Shareholders' approval of resolutions relating thereto to be proposed at the EGM.

LETTER FROM THE BOARD

Amongst the parties to the Agreements, STARL and STAR Filmed are subsidiaries of STAR Holdings, a substantial shareholder of the Company. Accordingly, STARL and STAR Filmed are connected persons of the Company under Chapter 20 of the GEM Listing Rules. **STAR Holdings and its Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the New Star Services Agreement and the Proposed Annual Cap for the STAR Movies Agreement (as defined below).**

ATVE and ATV are connected parties by virtue of the fact that Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV. **Today's Asia and their Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement.**

CONTINUING CONNECTED TRANSACTIONS

The Directors announced on 29 May 2003 that, (1) Phoenix HK entered into the New Star Services Agreement with STARL; (2) Phoenix (U.S.) entered into the ATV Bundle Distribution Agreement with ATV; and (3) Phoenix HK entered into the ATV Programme Licensing Agreement with ATVE.

A. New Star Services Agreement

Background

STARL has been providing technical and administrative, channel subscription promotion, advertising sales and decoder purchasing services to Phoenix HK since the launch of the first channel of the Group in March 1996. Details of the above services and the Old Star Services Agreement were set out in the Prospectus under the section headed Connected Transactions. The Old Star Services Agreement and the Waiver granted in respect of the abovementioned services are going to expire on 30 June 2003. The execution of the New Star Services Agreement is to secure continuity of the services and the details of which are set out below.

Date:	29 May 2003
Parties:	(1) Phoenix HK (2) STARL
Term:	3 years from the Commencement Date
Condition:	the independent Shareholders approving, confirming and/or ratifying the agreement and the transactions contemplated therein in accordance with the GEM Listing Rules. If the Condition cannot be fulfilled on or before the Commencement Date or such later date as STARL and Phoenix HK may agree in writing, then the New Star Services Agreement shall terminate on the Commencement Date or such later date as agreed by the parties and thereafter all rights and obligations of the parties under the New Star Services Agreement shall cease and determine.

LETTER FROM THE BOARD

SERVICES COVERED BY THE NEW STAR SERVICES AGREEMENT

1. Technical and Administrative Services

a. Details of Services

STARL shall to provide the following services to Phoenix HK:

- (i) digital transponder capacity;
- (ii) uplink services;
- (iii) downlink services;
- (iv) subscriber management services;
- (v) playout services;
- (vi) digital video broadcasting services;
- (vii) traffic and presentation/network traffic services;
- (viii) network marketing services;
- (ix) production support services and equipment;
- (x) information system/general information technology support services;
- (xi) engineering support services; and
- (xii) office facilities and administration support services
(collectively “**Technical and Administrative Services**”).

Phoenix HK may terminate the transponder capacity by giving twelve months’ prior notice and all other services mentioned above by giving six months’ prior notice (except the notice period for the cancellation of any one or more feed of the downlink services shall be one month). However, if Phoenix HK intends to appoint a third party to provide the same or substantially similar service being terminated, Phoenix HK shall give 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, Phoenix HK may then conclude an agreement with such third party.

In addition, Phoenix HK may from time to time request STARL to provide additional services in relation to the existing channels (for services other than those specifically referred to above) and/or other satellite television channels to be operated by the Group from time to time. STARL shall use all reasonable efforts to accommodate any such request based upon additional

LETTER FROM THE BOARD

fees payable to STARL to be negotiated and agreed in good faith on an arm's length basis for such additional services ("**Specifically Requested Services**"), which shall reflect the same or substantially similar treatment of all other channels (if any) to which STARL charges for such relevant additional services. The most frequently used Specifically Requested Services are the occasional downlink service and the post production services (such as graphics, dubbing and master control room services) which are provided, subject to availability, upon request of Phoenix HK at a fee based on rate cards to be issued by STARL from time to time.

b. Consideration

Monthly fees based on fixed rates are payable for the use of each of the Technical and Administrative Services except for the subscriber management services that in the event the number of subscribers shall exceed a certain number in any given month an additional variable fee is payable based on a fixed rate multiplied by the number of excess. The total amount of fixed fees for the first year of the agreement is approximately HK\$41,973,372. Most of the fees are payable in US dollars. The fees and/or rates of all the Technical and Administrative Services (except the fee of the transponder capacity which shall be increased by 3% per year) shall be modified for each twelve month period starting from 1 July 2004 by the multiplication thereof the aggregate of 100% and the lesser of (i) 70% of any increase between the Composite Consumer Price Index of Hong Kong ("**CPI**") for the immediately preceding calendar year and the CPI for the calendar year prior to the immediately preceding calendar year and (ii) 6%. The fees were negotiated at arm's length and determined by reference to, among other things, costs including third party cost, staff cost, administrative costs, equipment and maintenance cost.

c. Proposed Annual Cap

Pursuant to the Waiver, the technical and administrative services are subject to an annual cap of HK\$178,000,000. For the financial years ended 30 June, 2001 and 2002 and the nine months ended 31 March 2003, the amounts of fees paid or payable by the Group for the use of the aforesaid services were approximately HK\$113,145,000, HK\$136,473,000 and HK\$66,845,000 respectively.

During the past three years, the Group has developed rapidly in size and businesses, in particular the launch of two additional channels in January 2001 namely Phoenix InfoNews Channel and PNAC Channel. But on the other hand, Phoenix HK has set up its own team and provided certain services in-house which were previously provided by STARL. The increase in demand for additional services due to business expansion has been off set by the Group's policy to reduce outsourcing of services. The Proposed Annual Cap of the service fees payable by the Group for the Technical and Administrative Services and the Specifically Requested Services shall be HK\$80,000,000 for each of the three financial years ending 30 June 2006. It is determined by reference to, among other things, the fixed fees payable for the Technical and Administrative Services together the agreed increment based on a fixed rate and the possible increment based on CPI, the historical figures of fees paid for the Specifically Requested Services and the Group's projected requirement of additional capacity or kind of services for future expansion.

LETTER FROM THE BOARD

2. Subscription Promotion Service

a. Details of the Service

STARL is appointed as Phoenix HK's non-exclusive agent to promote the subscription of the Phoenix Chinese Channel, Phoenix InfoNews Channel and Phoenix Movies Channel (and such additional channels operated by Phoenix HK to be mutually agreed by the parties hereto from time to time) and to enlist subscribers to such channels and additional channels (if any) on terms to be mutually agreed on a case by case basis ("**Subscription Promotion Service**").

b. Consideration

STARL shall be entitled to a commission of 15% of the gross subscription fees received by Phoenix HK attributable to the subscribers referred to Phoenix HK by STARL. The commission rate is determined based on commercial negotiation with reference to the rates charged by STARL to other channels for the provision of the same or similar services.

c. Proposed Annual Cap

Pursuant to the Waiver, the commission payable to STARL for this connected transaction is subject to an annual cap of HK\$2,500,000. For the financial years ended 30 June, 2001 and 2002 and the nine months ended 31 March 2003, the amounts of commission paid or payable by the Group to STARL for the promotion of channel subscription were approximately HK\$1,447,000, HK\$2,040,000 and HK\$1,740,000 respectively. The Proposed Annual Cap of the commission payable by the Group for the Subscription Promotion Services shall be HK\$5,000,000, HK\$7,500,000 and HK\$10,000,000 for financial years ending 30 June 2004, 2005 and 2006 respectively. It is determined by reference to, among other things, historical figures of the commission paid and the projected development in channel subscription of the Group. The subscription income received by the Group from STARL, mainly attributable from Southeast Asia, has been relatively small over the years and the Directors believe that the potential for grow is enormous. The Group is determined to expand its subscription revenue by utilising STARL's international connection and expertise and considers that it is in the interest of the Group to set the Proposed Annual Cap substantially higher than the historical value for these transactions over the past two years and nine months.

3. Advertising Sales Service

a. Details of Service

STARL acts as an exclusive advertising agent for the advertising airtime of Phoenix Chinese Channel and Phoenix InfoNews Channel in all the territory outside the Greater China Region. STARL shall promote and conclude advertising sales through 4A agents to advertising clients where the principal place of business of both of the 4A agents and the advertising clients must be outside the Greater China Region ("**Advertising Sales Services**").

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b. Consideration

STARL shall be entitled to a commission of 15% of the net advertising income (being gross revenue less the third party agency fees) generated and received by STARL for the sale of airtime of the two channels. The commission rate is determined by commercial negotiation with reference to the market rates charged by 4A agents.

Phoenix HK shall have the exclusive right to promote and conclude advertising sales through its own advertising sales team and/or third party agent to any advertising client as long as such advertising client's principal place of business is in the Greater China Region. If both STARL and Phoenix HK approach or are approached by advertising clients within their own parameters, STARL shall upon Phoenix HK's written request discontinue its pursuit of such advertising client. Upon the successful conclusion of the advertising sales contract with all or any of such advertising clients by Phoenix HK or Phoenix HK's third party agent, Phoenix HK shall pay a withdrawal fee to STARL, being 3% of the net advertising income received by Phoenix HK pursuant to the said advertising sales contract.

c. Proposed Annual Cap

Pursuant to the Waiver, the commission payable to STARL for the advertising sales service is subject to an annual cap of HK\$25,000,000. For the financial years ended 30 June, 2001 and 2002 and for the nine months ended 31 March 2003, the amounts of commission paid or payable by the Group were approximately HK\$11,075,000, HK\$8,668,000 and HK\$6,691,000 respectively. The Proposed Annual Cap of the commission and withdrawal fee payable by the Group for the Advertising Sales Services shall be HK\$20,000,000 for each of the three financial years ending 30 June 2006. It is determined by reference to the historical figures of the commission paid to STARL and the projected increase in advertising sales of the channels, in particular the Phoenix InfoNews Channel which obtained the landing right in the PRC at the end of 2002. The advertising income received by the Group from outside the Greater China Region has been relatively small over the years and the Directors believe that the potential for grow is enormous. The Group is determined to further increase its advertising income by utilising STARL's international connection and expertise and considers that it is in the interest of the Group to set the Proposed Annual Cap substantially higher than the historical value for these transactions over the past two years and nine months.

4. 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 the Group 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.

LETTER FROM THE BOARD

c. *Proposed Annual Cap*

Pursuant to the Waiver, the amount payable to STARL for the purchase of decoders is subject to an annual cap of HK\$6,500,000, HK\$7,500,000 and HK\$8,500,000 for the financial years ended 30 June 2001, 2002 and 2003 respectively. For the financial years ended 30 June, 2001 and 2002 and for the nine months ended 31 March, 2003, the amounts of fees paid or payable by the Group for the purchase of decoders were approximately HK\$0-, HK\$1,688,000 and HK\$155,000 respectively. The Proposed Annual Cap of the fees payable by the Group for the Purchase of Decoders and Viewing Cards Service shall be HK\$5,000,000, HK\$7,500,000 and HK\$10,000,000 for the financial years ending 30 June 2004, 2005 and 2006 respectively. It is determined by reference to, among other things, historical figures of the fees paid and the projected increase in number of subscribers of Phoenix Movies Channel and fluctuation in the costs of the decoders and viewing cards. The demand for decoders and viewing cards depends on the increase in subscription of the Phoenix Movies Channel. The subscription base for the Phoenix Movies Channel has been relatively small over the years and the potential for grow is enormous. The Group is determined to improve the programming and promote the channel and expects viewership to increase. 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 Proposed Annual Cap substantially higher than the historical value for these transactions.

REASONS FOR ENTERING INTO THE NEW STAR SERVICES AGREEMENT

The Old Star Services Agreement will expire on 30 June 2003, the entering into the New Star Services Agreement is to secure continuity of services. The terms of the New Star Services are different from the Old Star Services Agreement in particular there are substantial changes to the type and content of the Technical and Administrative Services. The terms of the New 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 20 satellite channels in Hong Kong, the convenience and efficiency in the provision of services due to long term relationship and geographical proximity and the bulk purchase discount rates enjoyed by STARL. The Directors believe that the terms of the New Star Services Agreement and the transactions contemplated therein have been entered into in the ordinary and usual course of the Company's business on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

B. **ATV Bundle Distribution Agreement**

Background

In November 2001, ATV authorised Phoenix (U.S.), among other things, to negotiate with major satellite television operators in the U.S. to include the ATV Home Channel (U.S. version) into their platform and sign distribution agreement on behalf of ATV. Pursuant to the EchoStar Agreement entered into between Phoenix (U.S.) and EchoStar, Phoenix (U.S.) has provided a bundle of three channels namely PNAC Channel, ATV Home Channel (U.S. version) and CCTV-4 as a Chinese language channels package ("**Chinese Package**") to be distributed by EchoStar in the

LETTER FROM THE BOARD

U.S. since January 2002. Phoenix (U.S.) receives subscription proceeds from EchoStar for the sale of the Chinese Package. Phoenix (U.S.) and ATV are sharing such proceeds on an equal basis. If there is any increase or decrease in the number of channels in the package, the parties will negotiate for a new sharing basis according to the principle of fairness.

Transactions Prior to the Agreement

Since January 2002, Phoenix (U.S.) has been providing technical support services and equipment to ATV similar to those described below for the operation of the ATV Home Channel (U.S. version) and charged on a cost reimbursement basis. The total charges receivable by Phoenix (U.S.) for the Phoenix Services were approximately HK\$583,268 and HK\$933,402 for the financial year ended 30 June 2002 and the nine months ended 31 March 2003 respectively. Negotiation between the parties went on for a considerable period of time before the final agreement could be reached due to questions like whether ATV would set up its own service team in the U.S., whether ATV would purchase the equipment or continue to lease from Phoenix (U.S.) and whether EchoStar would renew the term of distribution of the Chinese Package. All these questions were only resolved recently and the parties agreed to enter into the ATV Bundle Distribution Agreement. Realising that the charges for the Phoenix Services are going to exceed the de minimus threshold stipulated under rule 20.25 of the GEM Listing Rules based on the terms of the arrangement finally reached with ATV, the Company had disclosed these previous transactions in the Announcement.

The ATV Bundle Distribution Agreement governs the rights and obligations of the parties relating to, inter alia, the provision of the ATV Home Channel (U.S. version) to Phoenix (U.S.) for the distribution to EchoStar, the sharing of subscription fees and third party expenses and the provision of certain technical support services and equipment by Phoenix (U.S.) to ATV.

Date: 29 May 2003

Parties: (1) Phoenix (U.S.)
(2) ATV

Term: 3 years from the Commencement Date

Condition: the independent Shareholders approving, confirming and/or ratifying the agreement and the transactions contemplated therein in accordance with the GEM Listing Rules. If the Condition cannot be fulfilled on or before the Commencement Date or such later date as ATV and Phoenix U.S. may agree in writing, then the ATV Bundle Distribution Agreement shall terminate on the Commencement Date or such later date as agreed by the parties and thereafter all rights and obligations of the parties under the ATV Bundle Distribution Agreement shall cease and determine.

LETTER FROM THE BOARD

Services: Phoenix (U.S.) shall provide the following services and equipment to ATV:

- i. the use of floor area for the location of receivers;
- ii. the use of master control room equipment and transmission equipment (including maintenance for daily fair wear and tear);
- iii. fiber optic transmission of ATV Home Channel (U.S. version) from Phoenix (U.S.)'s office to EchoStar; and
- iv. video tapes administration and playout services (collectively "**Phoenix Services**").

If ATV shall request and Phoenix (U.S.) shall agree to provide services related to the ATV Bundle Distribution Agreement other than the Phoenix Services, the parties will negotiate at arm's length in determining the services fees with reference to costs.

Consideration

The total fees for the Phoenix Services are US\$13,963 per month and are payable on a monthly basis.

Phoenix (U.S.) may adjust the fees as follows provided that the adjusted fees shall not be less than the base fees in any event:

Item (i) and (iii) of the Phoenix Services are charged according to Phoenix (U.S.)'s cost and if there is any subsequent increase in cost, Phoenix (U.S.) may increase fees of such services.

Item (iv) of the Phoenix Services is charged mainly according to the remuneration of the operating and management staff, administration and miscellaneous costs. Phoenix (U.S.) may adjust the fee of such service according to the Consumer Price Index for all urban consumers for each calendar year then announced by the U.S. Department of Labour ("**U.S. CPI**") for each twelve month period starting from 1 July 2004.

Equipment Buy Out

If ATV shall have paid the fee for Item (ii) of the Phoenix Services for 36 months after the Commencement Date, ATV shall be entitled to purchase all the equipment provided under Item (ii) of the Phoenix Services at a fee of US\$9,076.65. On the other hand, ATV may terminate item (ii) of the Phoenix Services by giving a one-month prior written notice to Phoenix (U.S.).

LETTER FROM THE BOARD

Set-Off

Apart from the fees for the Phoenix Services payable by ATV to Phoenix (U.S.), ATV shall share and reimburse Phoenix (U.S.) the third party expenses incurred by Phoenix (U.S.) for the promotion of the Chinese Package. Phoenix (U.S.) may set off such service fees and promotional expenses with the subscription proceeds to which ATV is entitled from the sale of the Chinese Package.

In addition, the parties agreed to set off the fees for the Phoenix Services and the ATV's share of promotional expenses payable by ATV to Phoenix (U.S.) for the period from 1 January 2002 to 30 June 2003 with the subscription proceeds to which ATV is entitled from the sale of the Chinese Package for the same period within fourteen days from the Commencement Date.

Proposed Annual Cap

The Proposed Annual Cap of the fees receivable by the Group for the Phoenix Services from ATV shall be HK\$2,000,000 for each of the three financial years ending 30 June 2006. It is determined by reference to the historical figures of the fees payable by ATV and possible increase in costs to Phoenix (U.S.), primarily staff and third party costs, in the provision of the Phoenix Services.

Reasons for entering into the ATV Bundle Distribution Agreement

It is generally more attractive to viewers to offer a bundle of channels than a single channel. The subscription of the Chinese Package increased satisfactorily which shows that this commercial tactic is successful in the US. The launch of the Chinese Package is beneficial to both parties. Phoenix (U.S.) is operating an office in the US and the provision of the Phoenix Services to ATV does not incur substantial additional administration costs to it. The Directors believe that the terms of the ATV Bundle Distribution Agreement and the transactions contemplated therein have been entered into in the ordinary and usual course of the Company's business on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

C. ATV Programme Licensing Agreement

Background

The Group has from time to time acquired from ATVE the right to broadcast drama series and other television programmes by way of license or sub-licence primarily for the use of the Phoenix Chinese Channel and the Group may also sub-licence such rights to independent third parties. Details of the above services were set out in the Prospectus under the section headed prospectus "Connected Transactions". The Waiver granted in respect of programmes supplied by ATVE is going to expire on 30 June 2003.

Date: 29 May 2003

Parties: (1) Phoenix HK
(2) ATVE

LETTER FROM THE BOARD

- Term: 3 years from the Commencement Date
- Condition: the independent Shareholders approving, confirming and/or ratifying the agreement and the transactions contemplated therein in accordance with the GEM Listing Rules. If the Condition cannot be fulfilled on or before the Commencement Date or such later date as ATVE and Phoenix HK may agree in writing, then the ATV Programme License Agreement shall terminate on the Commencement Date or such later date as agreed by the parties.
- License: certain exclusive and non-exclusive rights to broadcast drama and non-drama programmes and daily news of ATVE by the PCNE Channel and the PNAC Channel with license periods of various lengths. The two channels are sharing the same set of programming since 1 July 2002.
- Territory: PCNE Channel: Europe
PNAC Channel: North America
- Selection of Programmes: ATV has provided a list of drama and non-drama programmes for Phoenix's selection. By mutual agreement of the parties, more programmes may be added to the selection list.

Committed Programme length and License Fees

Phoenix HK is committed to take the following amount of programme hours ("**Committed Programme Length**") and pay the corresponding license fees:

PCNE Channel: 60 and 45 programme hours for drama and non-drama programmes and 183 programme hours of daily news respectively at a total license fee of US\$182,700 (approximately HK\$1,425,060).

PNAC Channel: 60 and 45 programme hours for drama and non-drama programmes respectively at a total license fee of US\$91,500 (approximately HK\$713,700) and 183 programme hours of daily news free of charge.

The amount of license fees was determined by commercial agreement with reference to license fees charged by ATV to third party licensees for similar programmes and the charges for drama and non-drama programmes licensed from third party suppliers in other countries.

Payment Terms

30% of the license fee for the Committed Programme Length shall be paid within 3 days upon the fulfillment of the Condition and the remaining 70% shall be paid on or before 1 November 2003.

LETTER FROM THE BOARD

Option

Phoenix HK shall have an option to require ATVE to supply 90 and 55 programme hours of drama and non-drama programmes respectively for both the PCNE Channel and PNAC Channel in excess of the Committed Programme Length at the same unit rates of the programmes (the “**Optional Programme Length**”). The option may be exercised in full or in part and separately. Payment terms for the Optional Programme Length: 7 days before the delivering of the relevant master tape for the Optional Programme Length.

Specifically Requested Programme:

Phoenix HK may from time to time request ATVE to provide additional drama, non-drama programmes or daily news apart from the Committed Programme Length and the Optional Programme Length for the Phoenix Chinese Channel, PNAC Channel, PCNE Channel and any television channels operated or to be operated by the Group from time to time provided that the license period of such additional programmes shall commence, unless otherwise agreed by the parties, on or after 1 July 2004. In this respect, the agreement sets out the principles upon which detailed terms are to be determined between the parties. ATVE shall use all reasonable efforts to accommodate any such request and provide such additional programmes based upon the availability of new programmes and the additional licence fees to be negotiated and agreed in good faith on an arm’s length basis and on terms no less favourable than those available to independent third parties (“**Specifically Requested Programme**”). The parties may enter into separate and definitive agreement(s) for one or more of the Specifically Requested Programme. This allows Phoenix HK the flexibility to acquire programme licenses from ATVE for all its channels, in particular, the Chinese Channel, to be broadcast in the next two years when most of their existing programme licences shall have expired.

Proposed Annual Cap

Pursuant to the Waiver, the fees payable to ATVE for the license of ATV programmes are subject to an annual cap of HK\$57,500,000 for each of the three years ended 30 June 2003. For the financial years ended 30 June 2001 and 2002 and for the nine months ended 31 March 2003, the amounts of fees paid or payable by the Group for the license of ATV programmes were approximately HK\$6,125,000, HK\$1,804,000 and HK\$12,260,000 respectively. The Proposed Annual Cap of the fees payable by the Group for the license of programmes from ATVE shall be HK\$15,000,000 for each of the three financial years ending 30 June 2006. It is determined by reference to the historical figures of the license fees paid to ATVE and the projected demand of the Group for ATV programmes in the near future.

Reasons for entering into the ATV Programme Licensing Agreement

ATVE is a major Chinese language television drama and non-drama programmes supplier. Cantonese language drama is popular among the overseas Chinese in Europe and the U.S. and therefore Phoenix HK would like to secure a steady supply of ATV’s drama programmes for the PCNE Channel and the PNAC Channel. The source of programming for the Phoenix Chinese Channel is more diversified including drama programmes from Taiwan and Korea and documentary programmes from all over the world. The execution of the ATV Programme Licensing Agreement

LETTER FROM THE BOARD

enables Phoenix HK to have a certain fixed and optional supply of programme licenses for its overseas channels at agreed rates and a flexible supply of additional programmes for any of the Group's channels subject to the availability of new programmes and mutual agreement as to the price and other terms from time to time. The Directors believe that the terms of the ATV Programme Licensing Agreement and the transactions contemplated therein have been entered into in the ordinary and usual course of the Company's business on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

D. STAR Movies Agreement

Background

Prior to the listing of the shares of the Company on GEM on 30 June 2000, Phoenix Movies had entered into the STAR Movies Agreement whereby STAR Filmed granted to Phoenix Movies a non-exclusive licence to exhibit a selection of movies on Phoenix Movies Channel in the PRC for a term of 10 years commencing from 28 August 1998. Details of the transactions of the STAR Movies Agreement were set out in the Prospectus under the section headed prospectus "Connected Transactions". The Waiver granted in respect of such transactions is going to expire on 30 June 2003.

Date:	15 June 2000
Parties:	(1) Phoenix Movies (2) STAR Filmed
Term:	10 years commencing from 28 August 1998
Licence:	non-exclusive license to engage in non-standard television exhibition of a certain selection of movies on the Phoenix Movies Channel in the PRC (excluding Hong Kong and Taiwan, but including Macau).
Consideration:	A base fee of US\$237,000 (approximately HK\$1,848,600) per month is payable by Phoenix Movies to STAR Filmed for the license. STAR Filmed is also entitled to charge an additional fee equivalent to 12.5% of the amount of the Phoenix Movies Channel's net revenues (being the gross revenues of the Phoenix Movies Channel less agency commissions and tax for the relevant period) exceeding US\$18,000,000 (HK\$140,400,000) provided that the aggregate amount of the entire amount of the additional fees payable by Phoenix Movies shall not exceed US\$36,000,000 (HK\$280,800,000) for the entire term.

Proposed Annual Cap

Pursuant to the Waiver, this connected transaction is subject to an annual cap of HK\$23,000,000. For the financial years ended 30 June, 2001 and 2002 and for the nine months ended 31 March, 2003, the amount of fees paid or payable by the Group to STAR Filmed for the license of movies were approximately HK\$20,388,000, HK\$20,403,000 and HK\$15,303,000

LETTER FROM THE BOARD

respectively. The Proposed Annual Cap of the fees payable by the Group for the license of movies from STAR Filmed shall be HK\$23,000,000 for each of the three financial years ending 30 June 2006. It is determined primarily by reference to the historical figures of the license fees paid to STAR Filmed and payment of the additional fee in case Phoenix Movies Channel's net revenues shall exceed the threshold as set out hereinabove. The Directors believe that the terms of the STAR Movies Agreement and the transactions contemplated therein have been entered into in the ordinary and usual course of the Company's business on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

Information on the Company

The Company, through its subsidiaries, is the leading satellite television operator broadcasting into China. Its channels include Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix InfoNews Channel, PCNE Channel and PNAC Channel, which via AsiaSat 3S Satellite, Eurobird, DIRECTV and EchoStar to audiences in the Asia Pacific, Europe, the United States and North Africa, covering more than 70 countries and regions. The Company also operates Phoenix Weekly magazine and www.phoenixtv.com website to diversify its business to nonbroadcast media.

Information on STARL

STARL is primarily engaged in television broadcasting through cable distributors and channel companies in the Asian region. It is also engaged in the provision of management, marketing, public relation and broadcasting services to related companies. It maintains branches in Taiwan and various other cities in the Asian region.

Information on STAR Filmed

STAR Filmed is primarily engaged in the holding and exploitation of audio and visual copyrights.

Information on ATV

ATV is a Hong Kong based television broadcasting company holding a domestic free television programme licence and broadcasts its programmes through two channels, namely "Home Channel" in Cantonese and "World Channel" in English. Recently, it has received approval from the relevant authorities in China to broadcast these two channels through cable system in Guangdong. Its business, in addition to broadcasting, includes advertising, licensing and distribution of television programmes and operation of web-sites, etc.

Information on ATVE

ATVE is a subsidiary of ATV. Its business covers purchase, sale, licensing and distribution of television programmes.

LETTER FROM THE BOARD

Connection between the parties in the continuing connected transactions

Amongst the parties to the New Agreements, STARL and STAR Filmed are subsidiaries of STAR Holdings, a substantial shareholder of the Company. Accordingly, STARL and STAR Filmed are connected persons of the Company under Chapter 20 of the GEM Listing Rules. ATVE, a wholly-owned subsidiary of ATV and ATV are connected parties by virtue of the fact that Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV.

The transactions referred to above constitute non-exempt connected transactions under rule 20.26 of the GEM Listing Rules, and are subject to the announcement, approval of the independent Shareholders and other reporting requirements set out in rules 20.34 to 20.36 of the GEM Listing Rules. Based on the latest published accounts of the Company and the application of rule 19.06 (2) of the GEM Listing Rules, the entering into the New Star Services Agreement also constitutes a discloseable transaction of the Company.

Ordinary resolutions will be proposed to approve, confirm and/or ratify the New Star Services Agreement, the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement and the Proposed Annual Caps. **STAR Holdings and its Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the New Star Services Agreement and the STAR Movies Agreement. Today's Asia and their Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement.**

Conditions of the approval

The approval of the independent Shareholders for the Continuing Connected Transactions will be subject to the following conditions:

- (a) details of the Continuing Connected Transactions will be disclosed in the Company's annual report in the manner described in Rule 20.34(1) to (5) of the GEM Listing Rules;
- (b) the aggregate consideration in respect of each category of Continuing Connected Transactions for each of the three financial years ended 30 June 2006 shall not exceed the amounts set out below:
 - (i) Technical and Administrative Services: HK\$80,000,000;
 - (ii) Subscription Promotion Service: 1/7/2003-30/6/2004: HK\$5,000,000; 1/7/2004-30/6/2005: HK\$7,500,000; 1/7/2005-30/6/2006: HK\$10,000,000;
 - (iii) Advertising Sales Service: HK\$20,000,000;

LETTER FROM THE BOARD

- (iv) Purchase of Decoders and Viewing Cards Service: 1/7/2003-30/6/2004: HK\$5,000,000; 1/7/2004-30/6/2005: HK\$7,500,000; 1/7/2005-30/6/2006: HK\$10,000,000 (items (i) to (iv) collectively the “**Proposed Annual Caps for the New Star Services Agreement**”);
 - (v) ATV Bundle Distribution Agreement: HK\$2,000,000 (the “**Proposed Annual Cap for the ATV Bundle Distribution Agreement**”);
 - (vi) ATV Programme Licensing Agreement: HK\$15,000,000 (the “**Proposed Annual Cap for the ATV Programme Licensing Agreement**”); and
 - (vii) STAR Movies Agreement: HK\$23,000,000 (the “**Proposed Annual Cap for the STAR Movies Agreement**”)(items (i) to (vii) collectively the “**Proposed Annual Caps**”).
- (c) the independent non-executive Directors will review the Continuing Connected Transactions annually and confirm in the Company’s annual report for the year in question that the Continuing Connected Transactions have been entered into:
- (i) in the ordinary and usual course of the business of the Group;
 - (ii) either on normal commercial terms or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available from or to independent third parties; and
 - (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable so far as the Shareholders as a whole are concerned;
- (d) each year the auditors of the Company shall provide a letter to the board of Directors (with a copy to the Stock Exchange) confirming that the relevant Continuing Connected Transactions:
- (i) has received the approval of the board of Directors;
 - (ii) has been entered into in accordance with the terms of the relevant agreement governing such transaction; and
 - (iii) has not exceeded the relevant Proposed Annual Caps.
- (e) the Company shall promptly notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm that the matters set out in rules 20.27 and/or 20.28 of the GEM Listing Rules respectively; and

LETTER FROM THE BOARD

- (f) where any of the Proposed Annual Caps is to be greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group at the end of that financial year, the relevant transaction(s) and the cap are subject to review and re-approval by the independent Shareholders at the annual general meeting so long as such transaction(s) continue(s) and the independent non-executive Directors will be required to opine in the annual report in respect of that financial year whether or not the Group should continue with the agreement(s) for the relevant transaction(s) pursuant to rule 20.30 of the GEM Listing Rules. If the said rule 20.30 shall be amended or repealed in its entirety in the future, then this condition shall be adjusted accordingly or withdrawn as the case may be.
- (g) in relation of each of the Continuing Connected Transactions, the Company and the counterparty to such Continuing Connected Transaction will submit to the Stock Exchange an undertaking that it will allow the auditors of the Group sufficient access to their records for the purpose of reporting on the transactions as set out in rule 20.28 of the GEM Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors are of the view that the New Star Services Agreement, the ATV Bundle Distribution Agreement, the ATV Programme Licensing Agreement and the STAR Movies Agreement and the transactions contemplated therein have been entered into in the ordinary and usual course of the Company's business on normal commercial terms and are fair and reasonable and in the interests of the Shareholders (including the independent Shareholders) as a whole. Ordinary resolutions to approve the New Star Services Agreement, the New Distribution Agreement, the ATV Programme Licensing Agreement and the Proposed Annual Caps will be proposed at the EGM.

EXTRAORDINARY GENERAL MEETING

The EGM will be held at 8/F, One Harbourfront, 18-22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on 26 June 2003 at 3:00 p.m. A notice of the EGM is set out on page 39 of this circular at which ordinary resolutions will be proposed to seek the independent Shareholders' approval of the New Star Services Agreement, the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement and the Proposed Annual Caps and other related matters (if any). **STAR Holdings and its Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the New Star Services Agreement and the Proposed Annual Cap for the STAR Movies Agreement. Today's Asia and their Associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement.**

A form of proxy for use at the EGM is enclosed. Shareholders are requested to complete this form of proxy and return the same to the Company's principal place of business in Hong Kong at 9/F, One Harbourfront, 18-22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong, in accordance with the instructions printed thereon by not later than 48 hours before the time of the meeting, whether or not they intend to be present at the meeting. The completion and returning of the form of proxy will not preclude the Shareholders from attending and voting in person should they so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee has been formed to consider the Continuing Connected Transactions and the Proposed Annual Caps and to advise the independent shareholders in this regard and Alpha Alliance has been appointed by the Company to advise the Independent Board Committee in such regard.

The Independent Board Committee, having taken into account the advice of Alpha Alliance, is of the opinion that the Continuing Connected Transactions have been entered into in the ordinary and usual course of the Company's business on normal commercial terms and are fair and reasonable and in the interests of the Shareholders (including the independent Shareholders) as a whole and the Proposed Annual Caps are fair and reasonable. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolutions in relation to the New Star Services Agreement, the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement and the Proposed Annual Caps to be proposed at the EGM.

GENERAL

The letter from Alpha Alliance containing its advice and recommendation to the Independent Board Committee is set out on pages 24 to 32 of this circular. The letter of advice from the Independent Board Committee containing its recommendation is set out on page 23 of this circular.

Your attention is drawn to the letter from the Independent Board Committee, the letter of advice from Alpha Alliance, and the information set out in the appendix of this circular.

Yours faithfully,
On behalf of the Board
Phoenix Satellite Television Holdings Limited
Liu Changle
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

Registered Office:
Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681GT, George Town
Grand Cayman
British West Indies

10 June 2003

To the Independent Shareholders

Dear Sirs or Madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the independent Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the Letter from the Board in the circular dated 10 June 2003 (the “Circular”) issued by the Company. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of Alpha Alliance in respect of the Continuing Connected Transactions as set out in the letter from Alpha Alliance in the Circular. Having taken into account the advice of Alpha Alliance, we consider that the terms of the New Star Services Agreement, the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement have been entered into in the ordinary and usual course of the Company’s business on normal commercial terms and are fair and reasonable and in the interests of the Shareholders (including the independent Shareholders) as a whole and the Proposed Annual Caps as defined and set out in the Circular are fair and reasonable. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolutions in relation to the New Star Services Agreement, the ATV Bundle Distribution Agreement and the ATV Programme Licensing Agreement and the Proposed Annual Caps to be proposed at the EGM.

Yours faithfully

For and on behalf of

Independent Board Committee

Lo Ka Shui

Director

Kuok Khoon Ean

Director

LETTER FROM ALPHA ALLIANCE

The following is the text of the letter of advice to the Independent Board Committee from Alpha Alliance dated 10 June 2003 for incorporation in this circular



Alpha Alliance Securities Limited
17th Floor, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

10 June 2003

*To the Independent Board Committee of
Phoenix Satellite Television Holdings Limited*
9th Floor, One Harbourfront
18-22 Tak Fung Street
Hungghom, Kowloon
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment to advise the Independent Board Committee in respect of the Continuing Connected Transactions, namely, (1) New Star Services Agreement, (2) ATV Bundle Distribution Agreement, (3) ATV Programme Licensing Agreement, and (4) STAR Movies Agreement, as to whether the terms of the transactions contemplated therein (except for (4)) and the Proposed Annual Caps are fair and reasonable so far as the independent Shareholders are concerned, details of which are contained in the Letter from the Board of Directors in the circular issued to the Shareholders dated 10 June 2003 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context requires otherwise.

Amongst the parties to the New Agreements, Phoenix HK, Phoenix (U.S.) and Phoenix Movies are the wholly-owned subsidiaries of the Company, STARL and STAR Filmed are subsidiaries of STAR Holdings, a substantial shareholder of the Company. Accordingly, STARL and STAR Filmed are connected persons of the Company under Chapter 20 of the GEM Listing Rules.

ATVE, a wholly-owned subsidiary of ATV and ATV are also connected persons of the Company by virtue of the fact that Mr. LIU, Changle, the chairman of the Company and Mr. CHAN Wing Kee, both are deemed to be the initial management shareholders of the Company as defined in the GEM Listing Rules, beneficially owns 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV.

The transactions referred to above constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules and are subject to the announcement, approval of the independent Shareholders and other reporting requirements set out in Rules 20.34 to 20.36 of the GEM Listing Rules.

LETTER FROM ALPHA ALLIANCE

In formulating our opinion, we have relied on the accuracy of the information, opinions, facts and representations contained in the Circular, which have been provided by the Directors and representatives of the Company and are considered by them to be true, complete, accurate and relevant, and we have not independently verified the accuracy of such. We have also relied on the representations of the Directors that they have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular relating to the Company and they have made all reasonable inquiries, and that to the best of their knowledge and belief, there are no other material factors omitted from the information and representations supplied to us. We are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements contained in and representations made or referred to in this Circular were true, accurate and complete at the time they were made and will continue to be so at the Latest Practicable Date and also assumed that all intentions of the Company and the Directors will be met or carried out as the case may be.

We consider that we have reviewed sufficient information to reach an informed view concerning the Continuing Connected Transactions contained in the Circular in order to provide a reasonable basis for our advice. We have no reason to believe that any material information has been omitted or withheld or to doubt the truth, accuracy and completeness of the information provided and representations made to us. Our opinion is necessarily based upon market, economic and other conditions as they have existed and can be evaluated on, and on the information available to us as of the date of the opinion. As such, we have no obligation to update this recommendation to take into account events occurring subsequent to the date of this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion relating to the Continuing Connected Transactions, we have taken into consideration, inter alia, the following principal factors and reasons:

I. Background for the Continuing Connected Transactions

A. *New Star Services Agreement*

STARL has been providing technical and administrative, channel subscription promotion, advertising sales and decoder purchasing services to Phoenix HK since the launch of the first channel of the Group in March 1996. Details of the above services and the Old Star Services Agreement were set out in the Prospectus under the section headed Connected Transactions. The Old Star Services Agreement and the Waiver granted in respect thereof are going to expire on 30 June 2003. The execution of the New Star Services Agreement is to secure continuity of services.

B. *ATV Bundle Distribution Agreement*

In November 2001, ATV authorized Phoenix (U.S.), among other things, to negotiate with major satellite television operators in the U.S. to include the ATV Home Channel (U.S. version) into their platform and sign distribution agreement on behalf of ATV. Pursuant to the EchoStar Agreement entered into between Phoenix (U.S.) and EchoStar, Phoenix (U.S.) has provided a bundle of three channels namely PNAC Channel, ATV Home Channel (U.S. version) and CCTV-4 as a Chinese language channels package (“**Chinese Package**”) to be distributed by EchoStar in the U.S. since January 2002. Phoenix (U.S.) receives subscription proceeds from EchoStar for the sale of the Chinese Package. Phoenix (U.S.) and ATV are sharing such proceeds on an equal basis.

LETTER FROM ALPHA ALLIANCE

Since January 2002, Phoenix (U.S.) has been providing technical support services and equipment to ATV similar to those described below for the operation of the ATV Home Channel (U.S. version) and charged on a cost reimbursement basis.

The ATV Bundle Distribution Agreement governs the rights and obligations of the parties relating to, inter alia, the provision of the ATV Home Channel (U.S. version) to Phoenix (U.S.) for distribution by EchoStar, the sharing of subscription fees and third party expenses and the provision of certain technical support services and equipment by Phoenix (U.S.) to ATV.

C. ATV Programme Licensing Agreement

The Group has from time to time acquired from ATVE the right to broadcast drama series and other television programmes by way of licence or sub-licence primarily for the use of the Phoenix Chinese Channel. Details of the above services were set out in the Prospectus under the section headed prospectus “Connected Transactions”. The Waiver granted in respect of programmes supplied by ATVE is going to expire on 30 June 2003. The execution of the ATV Programme Licensing Agreement is for the acquisition of the rights to broadcast drama and non-drama programmes and daily news of ATVE by the channels of the Group.

D. STAR Movies Agreement

Prior to the listing of the shares of the Company on GEM on 30 June 2000, Phoenix Movies had entered into the STAR Movies Agreement whereby STAR Filmed granted to Phoenix Movies a non-exclusive licence to exhibit a selection of movies on Phoenix Movies Channel in the PRC for a term of 10 years commencing from 28 August 1998. Details of the transactions of the STAR Movies Agreement were set out in the Prospectus under the section headed prospectus “Connected Transactions”. The Waiver granted in respect of such transactions is going to expire on 30 June 2003. The information of the STAR Movies Agreement provided herein is for the independent Shareholders of the Company to review the transactions and approve the Proposed Annual Cap for the STAR Movies Agreement, which is of the same magnitude as that requested for in the Waiver.

II. Nature and terms of the New Agreements

Details of the terms of the New Agreements are set out in page 5 to 22 of this circular. A brief summary of the key terms of the New Agreements is detailed below.

A. New Star Services Agreement

Under the New Star Services Agreement, STARL agreed, for a period of 3 years commencing from 1 July 2003:

- (a) To provide technical and administrative services and Phoenix HK agreed to pay a total amount of fixed fees for the first year of the agreement of approximately HK\$41,973,372 to STARL for the provision of such services;

LETTER FROM ALPHA ALLIANCE

- (b) To act as non-exclusive agent to promote the subscription of the Phoenix Chinese Channel, Phoenix InfoNews Channel and Phoenix Movies Channel (and such additional channels operated by Phoenix HK to be mutually agreed by the parties hereto from time to time) and to enlist subscribers to such channels and additional channels (if any) on terms to be mutually agreed on a case by case basis. STARL shall be entitled to a commission of 15% of the gross subscription fees received by Phoenix HK attributable to the subscribers referred to Phoenix HK by STARL;
- (c) To act as an exclusive advertising agent for the advertising airtime of Phoenix Chinese Channel and Phoenix InfoNews Channel in all the territory outside the Greater China Region. STARL shall be entitled to a commission of 15% of the net advertising income (being gross revenue less the third party agency fees) generated and received by STARL for the sale of airtime of the two channels; and
- (d) To acquire decoders and viewing cards for Phoenix Movies Channel (and such additional channels operated by the Group to be mutually agreed by the parties from time to time). 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.

B. ATV Bundle Distribution Agreement

Under the ATV Bundle Distribution Agreement, Phoenix (U.S.) agreed, for a period of 3 years commencing from 1 July 2003, to provide to ATV the Phoenix Services as detailed in the Letter from the Board. The total fees for such services are US\$13,963 per month and are payable on a monthly basis. Phoenix (U.S.) also agreed that if ATV shall have paid the fee for the use of master control room equipment and transmission equipment for 36 months after the Commencement Date, ATV shall be entitled to purchase all the equipment provided at a fee of US\$9,076.65. In addition, there is a set-off arrangement under the ATV Bundle Distribution Agreement where Phoenix (U.S.) may set off such service fees and promotional expenses with the subscription proceeds to which ATV is entitled from the sale of the Chinese Package.

C. ATV Programme Licensing Agreement

Under the ATV Programme Licensing Agreement, Phoenix HK will acquire from ATVE certain exclusive and non-exclusive rights to broadcast drama and non-drama programmes and daily news of ATVE by the PCNE Channel and the PNAC Channel with licence periods of various lengths. For PCNE Channel, there will have the Committed Programme Length of 60 and 45 programme hours for drama and non-drama programmes and 183 programme hours of daily news respectively at a total licence fee of US\$182,700 (approximately HK\$1,425,060). For PNAC Channel, there will have the Committed Programme Length of 60 and 45 programme hours for drama and non-drama programmes respectively at a total licence fee of US\$91,500 (approximately HK\$713,700) and 183 programme hours of daily news free of charge.

III. Basis of Our Opinion

As aforesaid, we have been appointed to advise the Independent Board Committee in respect of the Continuing Connected Transactions, namely, (1) New Star Services Agreement, (2) ATV Bundle Distribution Agreement and (3) ATV Programme Licensing Agreement as to whether the terms of the transactions contemplated therein are fair and reasonable so far as the independent Shareholders are concerned.

LETTER FROM ALPHA ALLIANCE

The Group is involved in a business that is dominated by few players and the services required from third party are usually unique in nature. In forming our opinion, apart from the New Agreements, we have reviewed a few quotations for certain services from independent third party service providers in relation to similar services provided by STARL for the New Star Services Agreement. We have also reviewed the quotations comparison for the licence fees charged by ATV to independent third party licencees for similar programmes and the charges for programmes licensed from independent third party suppliers in other countries for the ATV Programme Licensing Agreement. In addition, we have discussed the New Agreements with the management of the Group and STARL (in particular for the New Star Services Agreement) the terms therein, to understand, the background information, the negotiation process of the agreement and their bases of consideration.

A. *New Star Services Agreement*

1. Technical and Administrative Services

On the one hand, as stated in the Letter from the Board, during the past three years, the Group has developed rapidly in size and businesses, in particular the launch of two additional channels in January 2001, namely Phoenix InfoNews Channel and PNAC Channel. Phoenix HK has set up its own team and provided certain services in-house which were previously provided by STARL. The increase in demand for additional services due to business expansion has been off set by the Group's policy to reduce outsourcing of services.

On the other hand, STARL will continue to provide for and Phoenix HK will rely on the technical and administrative services of STARL so as to enjoy the benefits of economy of scales and to fill up those services gap which are not performed by Phoenix HK as at the Latest Practicable Date.

As laid down in the New Star Services Agreement, Phoenix HK may terminate the transponder capacity by giving twelve months' prior notice and all other services by giving six months' prior notice (except the notice period for the cancellation of any one or more feed of the downlink services shall be one month). However, if Phoenix HK intends to appoint a third party to provide the same or substantially similar service being terminated, Phoenix HK shall give 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, Phoenix HK may then conclude an agreement with such third party. As discussed with the management of the Group, they will review from time to time what would consider being the most efficient operating model of the Group so far as the convenience, capability, efficiency and the cost structure are concerned.

2. Subscription Promotion Service

As stated in the Letter from the Board, STARL shall be entitled to a commission of 15% of the gross subscription fees received by Phoenix HK attributable to the subscribers referred to Phoenix HK by STARL. The commission rate is determined based on commercial negotiation with reference to the rates charged by STARL to other channels for the provision of the same or similar services.

LETTER FROM ALPHA ALLIANCE

3. Advertising Sales Service

As stated in the Letter from the Board, STARL shall be entitled to a commission of 15% of the net advertising income (being gross revenue less the third party agency fees) generated and received by STARL for the sale of airtime of the two channels. The commission rate is determined by commercial negotiation with reference to the market rates charged by 4A agents.

4. Purchase of Decoders and Viewing Cards Service

As stated in the Letter from the Board, 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.

In general, as stated in the Letter from the Board, the Directors consider that the terms of the New 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 20 satellite channels in Hong Kong, the convenience and efficiency in the provision of services due to long term relationship and geographical proximity and the bulk purchase discount rates enjoyed by STARL.

Based on the above facts and representations, we are of the opinion that the terms of various services provided under the New Star Services Agreement with STARL are fair and reasonable and are in the interest of the Shareholders (including the independent Shareholders) and the Company as a whole.

B. ATV Bundle Distribution Agreement

As stated in the Letter from the Board, the ATV Bundle Distribution Agreement governs the rights and obligations of the parties relating to, inter alia, the provision of the ATV Home Channel (U.S. version) to Phoenix (U.S.) for the distribution by EchoStar, the sharing of subscription fees and third party expenses and the provision of certain technical support services and equipment by Phoenix (U.S.) to ATV.

Phoenix (U.S.) received subscription proceeds from EchoStar for the sale of the Chinese Package. Phoenix (U.S.) and ATV are sharing such proceeds on an equal basis. Besides, the Phoenix Services are charged according to Phoenix's cost, the remuneration of the operating and management staff, administration and miscellaneous costs, subject to adjustment using the agreed basis.

Based on the fact and representations, we are of the opinion that the terms of the ATV Bundle Distribution Agreement with ATV are fair and reasonable and are in the interest of the Shareholders (including the independent Shareholders) and the Company as a whole.

C. ATV Programme Licensing Agreement

As stated in the Letter from the Board, the amount of licence fees are determined by commercial agreement with reference to licence fees charged by ATV to third party licencees for similar programmes and the charges for programmes licensed from third party suppliers in other countries.

LETTER FROM ALPHA ALLIANCE

As abovementioned, we have reviewed the quotations comparison for the licence fees charged by ATV to independent third party licencees for similar programmes and the charges for programmes licensed from independent third party suppliers in other countries for the ATV Programme Licensing Agreement.

Based on the fact and representations, we are of the opinion that the terms of the ATV Programme Licensing Agreement with ATVE are fair and reasonable and are in the interest of the Shareholders (including the independent Shareholders) and the Company as a whole.

Having considered the fact that, (i) the terms of the New Agreements, on an annual service and licence fee basis, are comparable to services provided by third party service providers for similar services; (ii) the Directors consider that the New Agreements are necessary for business expansion of the Group; (iii) the Directors consider that the terms of the New Agreements and the transactions contemplated therein are on normal commercial terms and are fair and reasonable and are in the interests of the Shareholders as a whole; and (iv) the Directors have confirmed that the fees payable for the New Agreements are also reasonable compared to the market practice, we consider that the terms of the New Agreements are fair and reasonable and are in the interest of the Shareholders (including the independent Shareholders) and the Company as a whole.

IV. Basis of the Proposed Annual Caps

Details of the Proposed Annual Caps are stated in the Letter from the Board. They are basically determined by reference to, among other things, the historical figures of the respective connected transactions being conducted in the past, the fixed fees payable and the agreed increment of the charge specified in the Agreements, the projected increase of the services demanded by the Group to cope with the Directors' estimation of the Group's business expansion. For our assessment of reasonableness of the Proposed Annual Caps, among others, we focus on (1) the fairness and reasonableness of the terms of New Agreements which have been analysed and concluded in part III of our letter; and (2) whether the bases of the Proposed Annual Caps are set to be in line with the management business expansion policy and strategy and conditions of operations of the Group. We elaborate as follows:

A. New Star Services Agreement

As stated in the Letter from the Board, the proposed annual caps of the relevant transactions are:

- (i) Technical and Administrative Services: HK\$80,000,000;
- (ii) Subscription Promotion Service: 1/7/2003 – 30/6/2004: HK\$5,000,000; 1/7/2004 – 30/6/2005: HK\$7,500,000; 1/7/2005 – 30/6/2006: HK\$10,000,000;
- (iii) Advertising Sales Service: HK\$20,000,000;
- (iv) Purchase of Decoders and Viewing Cards Service: 1/7/2003 – 30/6/2004: HK\$5,000,000; 1/7/2004 – 30/6/2005: HK\$7,500,000; 1/7/2005 – 30/6/2006: HK\$10,000,000;

LETTER FROM ALPHA ALLIANCE

As stated in the Letter from the Board, we have the following details:

For (i), the proposed annual cap is determined by reference to, among other things, the fixed fees payable, together with the agreed increment based on a fixed rate and the possible increment based on CPI, the historical figures of fees paid for the Specifically Requested Services and the Group's projected requirement of additional capacity or kind of services for future expansion.

For (ii), it should be noted that the basis of consideration of these transactions is on a commission rate of 15% of the gross subscription fees received by Phoenix HK attributable to the subscribers referred to Phoenix HK by STARL and such commission rate is determined based on commercial negotiation with reference to the rates charged by STARL to other channels for the provision of the same or similar services. The subscription income received by the Group from STARL, mainly attributable from Southeast Asia, has been relatively small over the years and the Directors believe that the potential for grow is enormous. It is the Group's intention to utilise STARL's international connection and expertise to expand its subscription revenue. As such, the proposed annual cap is set to an amount which is substantially higher than the historical value for the relevant transactions over the past two years and nine months, which is in line with the Group's business expansion policy and strategy.

For (iii), it should be noted that the basis of consideration of these transactions is on a commission rate of 15% of the net advertising income (being gross revenue less the third party agency fees) generated and received by STARL for the sale of commercial negotiation with reference to the market rates charged by 4A agents. The advertising income received by the Group from outside the Greater China Region has been relatively small over the years and the Directors believe that the potential for grow is enormous. It is the Group's intention to utilise STARL's international connection and expertise to further increase its advertising income. As such, the proposed annual cap is set to an amount which is substantially higher than the historical value for the relevant transactions over the past two years and nine months, which is in line with the Group's business expansion policy and strategy.

For (iv), it should be noted that 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 and it should further be noted that STARL generally enjoys bulk purchase discounts and is providing this service at costs to the Group. It is the Group's intention to improve the programming and promote the channel and expects viewership to increase. As such, the proposed annual cap is set to an amount which is substantially higher than the historical value for the relevant transactions, which is in line with the Directors' business expansion policy and strategy.

For (ii), (iii) and (iv) where the proposed annual caps are set to an amount which is substantially higher than the historical value, we understand that the Directors believe that the Group will increase the number of subscribers and hence expand its subscription revenue and further increase its advertising income in the coming future. We also understand that the increase in the service fees charged will be directly related to (1) the increase in number of subscribers for the Subscription Promotion Service and the Purchase of Decoders and Viewing Cards Service and (2) the increase in advertising income for the Advertising Sales Service, we therefore concur with the Directors' view and consider that the proposed annual caps for the relevant transactions in respect of the New Star Services Agreement are fair and reasonable.

LETTER FROM ALPHA ALLIANCE

B. ATV Bundle Distribution Agreement

As stated in the Letter from the Board, the proposed annual cap is HK\$2,000,000. It should be noted that the Phoenix Services are charged mainly according to Phoenix's cost. It is determined by reference to the historical figures of the fees payable by ATV and possible increase in costs to Phoenix (U.S.), primarily staff and third party costs, in the provision of the Phoenix Services. We consider that the proposed annual cap for the relevant transactions in respect of the ATV Bundle Distribution Agreement are fair and reasonable.

For the ATV Programme Licensing Agreement and the STAR Movies Agreement, as stated in the Letter from the Board, the proposed annual caps for the relevant transactions are HK\$15,000,000 and HK\$23,000,000 respectively. They are mainly determined by reference to the historical figures which we consider that the proposed annual caps for the relevant transactions are fair and reasonable.

Given that, (i) the aforesaid basis of the determination of the Proposed Annual Caps; (ii) the entering into the New Agreements are considered to be beneficial to the Group by the Directors; (iii) the fees to be paid are governed by the Agreements; (iv) the Directors have confirmed that the fees to be charged for additional services will be negotiated on arm's length basis and determined by reference to market price; and (v) there is no indication as to any material change in the management business expansion policy and strategy and conditions of operations of the Group, we concur with the Directors' view and consider that the Proposed Annual Caps are fair and reasonable.

V. Conditions of the approval

As stated in the Letter from the Board, the Continuing Connected Transactions together with the Proposed Annual Caps are subject to the approval of the independent Shareholders of the Company. Considering the conditions set out in the Letter from the Board, we are of the view that the interest of the independent Shareholders would be properly safeguarded.

RECOMMENDATION

Having taken into consideration the above principal factors and reasons, we consider that the terms of the New Agreements, the Continuing Connected Transactions contemplated therein and the Proposed Annual Caps are fair and reasonable, and the terms of the New Agreements are in the interests of the Shareholders (including the independent Shareholders) and the Company as a whole. Accordingly, we advise the Independent Board Committee to recommend to the independent Shareholders to vote in favour of the ordinary resolution in relation to the New Agreements, the Continuing Connected Transactions and the Proposed Annual Caps to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Alpha Alliance Securities Limited
C K Poon
Senior Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 circular 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 circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF DIRECTOR'S INTERESTS

2.1 Interests in securities

As at the Latest Practicable Date, the interest of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(1) *Ordinary shares*

Name of Directors	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total Number of Shares
Liu Changle*	–	–	1,854,000,000	–	1,854,000,000

* Mr. LIU, Changle is the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia, which in turn is interested in approximately 37.6% of the issued share capital of the Company as at the Latest Practical Date.

(2) *Share options*

As at the Latest Practical Date, the Company had granted share options under the Pre-IPO Share Option Scheme to the following Directors of the Company to subscribe for ordinary shares of the Company.

Name	Number of options	Date of grant	Exercise price per share HK\$
LIU, Changle *	5,320,000	14 June 2000	1.08
CHUI, Keung *	3,990,000	14 June 2000	1.08

* Being the Executive Directors of the Company.

No such options have been exercised during the period from the date of grant to the Latest Practical Date.

Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

2.2 Interests in service contracts

Each of the Executive Directors has entered into a service agreement with the Company. Each service agreement is for a term of three years commencing from 30 June 2000, being the day on which the Shares were first admitted for trading on GEM, which will continue thereafter unless terminated by either party giving to the other not less than three months' written notice.

Save as disclosed herein, none of the Directors has any existing or proposed service contracts with the Group, excluding contracts expiring or terminable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

2.3 Interests in assets

Save as disclosed in the Prospectus and the 2001/2002 Annual Report of the Company, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2002, the date to which the latest published audited financial statements were made up.

3. MANAGEMENT SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the interest of the persons (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Number of Shares	Percentage of shareholding
STAR Holdings (<i>Note 1</i>)	1,854,000,000	37.6%
Today's Asia (<i>Note 2</i>)	1,854,000,000	37.6%
China Wise International Limited (<i>Note 3</i>)	412,000,000	8.4%

Notes:

- (1) STAR Holdings is a subsidiary of STAR Group Limited. News Cayman Holdings Limited holds 100% of the ordinary voting shares of STAR Group Limited. News Publishers Investments Pty, Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty, Limited is a wholly-owned subsidiary of STAR US Holdings Subsidiary, LLC, which in turn is a wholly-owned subsidiary of STAR US Holdings, Inc. STAR US Holdings, Inc is a wholly-owned subsidiary of News Publishing Australia Limited, which in turn is owned approximately 91.76% by News Corporation. The remaining interests in News Publishing Australia Limited, are held by companies which are ultimately owned by News Corporation.

By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc, STAR US Holdings Subsidiary, LLC, News Publishers Investments Pty, Limited, News Cayman Holdings Limited and STAR Group Limited are all deemed to be interested in the 1,854,000,000 shares held by STAR Holdings.

- (2) Today's Asia is beneficially owned by Mr. LIU, Changle and Mr. CHAN, Wing Kee as to 93.3% and 6.7% interests, respectively.
- (3) China Wise International Limited is a wholly owned subsidiary of Cultural Developments Limited, which in turn is a wholly-owned subsidiary of Bank of China Group Investment Limited. By virtue of the SFO, Bank of China Group Investment Limited and Cultural Developments Limited are both deemed to be interested in the 412,000,000 shares held by China Wise International Limited.

Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

4. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 30 June 2002, the date to which the latest audited financial statements of the Group were made up.

5. EXPERT

- (a) Alpha Alliance is a registered investment adviser under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong).
- (b) Alpha Alliance has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to its name and letter in the form and context in which it appears.

6. SPONSORS' INTERESTS

As at 30 June 2002, BOCI Asia Limited and Merrill Lynch Far East Limited ceased to be the sponsors of the Company upon expiration of the terms of contract after two years of service. The Company has no sponsors as at and up to the Latest Practicable Date. Accordingly, no additional disclosure is made.

7. LITIGATION

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

8. COMPETING INTERESTS

Today's Asia, STAR Holdings and China Wise International Limited have interest in approximately 37.6%, 37.6% and 8.4% of the share capital of the Company respectively. Today's Asia, together with its shareholders, Mr. LIU, Changle and CHAN, Wing Kee, STAR Holdings and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

STAR Holdings, together with its ultimate parent company, News Corporation, are active in the television broadcasting industry worldwide. News Corporation's diversified global operations in the United States, Canada, the United Kingdom, Australia, Latin America and the Pacific Basin include the production and distribution of motion pictures and television programming; television, satellite and cable broadcasting; the publication of newspapers, magazines and books; the production and distribution of promotional and advertising products and services; the development of digital broadcasting; the development of conditional access and subscriber management systems, and the creation and distribution of popular on-line programming. Currently, STAR Group Limited, the holding company of STAR Holdings, owns and operates multimedia digital platforms, including satellite television, in the Asia Pacific region. STAR Group Limited and its subsidiaries (including STAR Holdings) operate and broadcast a range of channels, such as STAR Movies and STAR Chinese Channel (which presently only broadcasts in Taiwan) and Channel [V]. The broadcasting coverage of Channel [V] includes China, Taiwan, Hong Kong, countries in South East Asia, the Indian sub-continent and the Middle East. STAR Group Limited announced on 19 December 2001 that it was granted landing rights for a new 24-hour Mandarin-language general entertainment channel, Xing Kong Wei Shi, in southern China by virtue of an agreement signed among STAR (China) Limited (STAR Group Limited's wholly-owned subsidiary), China International Television

Corporation (“CITVC”), Guangdong Cable TV Networks Co. Ltd. and Fox Cable Networks Services, L.L.C., an affiliate of STAR Group Limited. STAR Group Limited further announced on 15 January 2003 that it has signed an agreement with CITVC, enabling Xing Kong Wei Shi to be viewed nationally in hotels with three-stars and above, and in foreign and overseas Chinese compounds.

Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today’s Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV, a Hong Kong based television broadcasting company. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV. ATV is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audience in Hong Kong, ATV broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the PRC. ATV announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through cable system in Guangdong.

9. MISCELLANEOUS

- (a) As at the Latest Practicable Date, Alpha Alliance has no shareholding in any member of the Group and does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) Alpha Alliance does not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2002, the date to which the latest published audited financial statements were made up.
- (c) Save as disclosed, none of the Directors is materially interested in any contracts or arrangements subsisting at the date of this circular which are significant in relation to the business of the Group.
- (d) The registered office of the Company is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.
- (e) The head office and principal place of business of the Company is 9th Floor, One Harbourfront, 18 Tak Fung Street, Hunghom, Kowloon, Hong Kong.
- (f) The Compliance officer of the Company is Mr. CHUI, Keung. Mr. CHUI is the Executive Director and Deputy Chief Executive Officer of the Company. He graduated from the department of journalism of Fudan University of Shanghai.
- (g) The Company Secretary and Qualified Accountant of the Company is Mr. YEUNG, Ka Keung. Mr. YEUNG is the Executive Vice President and Chief Financial Officer of the Company. He graduated from the University of Birmingham and is a chartered accountant.

- (h) The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee has met regularly to review with management the accounting principals and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The audit committee comprises one Non-Executive Director, namely Mr. LAU, Yu Leung John and two independent Non-Executive Directors, namely Dr. LO, Ka Shui and Mr. KUOK, Khoon Ean. Details of their personal particulars are set out in the section headed "Directors and Senior Management Profile" of the 2001/2002 annual report of the Company except the particulars of Dr. LO shall be modified that he has resigned as the Chairman of the Listing Committee of the GEM and the Chairman of the Hospital Authority and that he is no longer a member of Long Term Housing Strategy Advisory Committee.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during the normal business hours up to and including 26 June 2003 at the principal place of business of the Company at 9/F, One Harbourfront, 18 Tak Fung Street, Hung Hom, Kowloon, Hong Kong:

- (1) all the service agreements as referred to in paragraph 2.2 of this Appendix headed "Interests in service contracts";
- (2) the New Star Services Agreement;
- (3) the ATV Bundle Distribution Agreement;
- (4) the ATV Programme Licensing Agreement;
- (5) the STAR Movies Agreement;
- (6) the letter from Alpha Alliance to the Independent Board Committee in relation to the transactions as set out on pages 24 to 32 of this circular;
- (7) the written consent of Alpha Alliance as referred to in paragraph 5 of this appendix; and
- (8) the letter from the Independent Board Committee, the text of which is set out on page 23 of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Phoenix Satellite Television Holdings Limited (the “Company”) will be held at 8/F., One Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong on 26 June 2003 at 3:00 p.m. for the following purposes:

1. to consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

“**THAT** the New Star Services Agreement (as defined in the circular to the shareholders of the Company dated 10 June 2003 (the “Circular”)), a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification, details of which are set out in the Circular and the transactions contemplated therein and the Proposed Annual Caps for the New Star Services Agreement as defined and set out in the Circular, be and are hereby approved, confirmed and/or ratified, subject to the conditions mentioned under the paragraph headed “Conditions of the approval” set out in the Circular, and any Director of the Company (the “Director”) be and is hereby authorized to take such action, do such things and execute such further documents or deeds as the Director may, in his opinion, deem necessary or desirable for the purpose of implementing such agreement.”

2. to consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

“**THAT** the ATV Bundle Distribution Agreement (as defined in the Circular), a copy of which has been produced to this meeting marked “B” and signed by the Chairman of this meeting for the purpose of identification, details of which are set out in the Circular and the transactions contemplated therein and the Proposed Annual Cap for the ATV Bundle Distribution Agreement as defined and set out in the Circular, be and are hereby approved, confirmed and/or ratified, subject to the conditions mentioned under the paragraph headed “Conditions of the approval” set out in the Circular, and any Director be and is hereby authorized to take such action, do such things and execute such further documents or deeds as the Director may, in his opinion, deem necessary or desirable for the purpose of implementing such agreement.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. to consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

“**THAT** the ATV Programme Licensing Agreement (as defined in the Circular), a copy of which has been produced to this meeting marked “C” and signed by the Chairman of this meeting for the purpose of identification, details of which are set out in the Circular and the transactions contemplated therein and the Proposed Annual Cap for the ATV Programme Licensing Agreement as defined and set out in the Circular, be and are hereby approved, confirmed and/or ratified, subject to the conditions mentioned under the paragraph headed “Conditions of the approval” set out in the Circular, and any Director be and is hereby authorized to take such action, do such things and execute such further documents or deeds as the Director may, in his opinion, deem necessary or desirable for the purpose of implementing such agreement.”

4. to review the transactions contemplated in the STAR Movies Agreement (as defined in the Circular), to consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

“**THAT** the Proposed Annual Cap for the STAR Movies Agreement (as defined in the Circular) be and are hereby approved, subject to the conditions mentioned under the paragraph headed “Conditions of the approval” set out in the Circular.”

By Order of the Board
Yeung Ka Keung
Company Secretary

Hong Kong, 10 June 2003

Notes:

- (1) A member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxies to attend and on a poll vote on his behalf. A proxy need not be a member of the Company but must attend the meeting in person.
- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, is requested to be deposited at the Company’s principal place of business in Hong Kong at 9/F, One Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong, in accordance with the instructions printed thereon by not later than 48 hours before the time of the meeting or any adjournment thereof, whether or not they intend to be present at the meeting. The completion and returning of the form of proxy will not preclude the Shareholders from attending and voting in person should they so wish.