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鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

鳳凰衛視控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8002)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 12 May 2005, Phoenix, Real Properties and Oasiscity entered into an agreement, pursuant to which, inter alia, Phoenix shall transfer 10,000m² of the Building to which Phoenix would be entitled after the completion of the construction of the Building to Oasiscity at RMB60,000,000 (equivalent to approximately HK\$55,800,000) payable in cash by 3 installments. Phoenix received the first installment of RMB20,000,000 on 3 June 2005, the second installment of RMB20,000,000 shall be receivable upon the topping out of the main structures and the third installment of RMB20,000,000 shall be receivable upon the final completion of the construction of the Building. Oasiscity would also be allotted an additional 33 shares in Real Properties at par value, so that after the allotment Oasiscity should hold approximately 70% interest therein and Phoenix's percentage of shareholding in Real Properties would drop from 40% to 30% and Phoenix's entitlement to the Building would reduce from 20,000m² to 10,000m². This agreement is supplemental to another agreement previously signed between the same parties on 29 October 2003.

The transaction constituted a discloseable transaction under rule 19.06 of the GEM Listing Rules. A circular containing, among other matters, information on the discloseable transaction will be dispatched to the shareholders of the Company as soon as practicable.

BACKGROUND

On 11 June 2001, Phoenix Satellite Television Company Limited ("Phoenix"), a wholly-owned subsidiary of Phoenix Satellite Television Holdings Limited (the "Company") entered into an agreement with 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau)¹, being third parties independent of the Company and connected persons (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules")) of the Company, to acquire a land use right on a parcel of land situated at 深圳市內編號為B205-0012 (Lot B205-0012, Shenzhen

City Centre District)¹, Shenzhen, the People's of Republic of China (“the Land”) for the development of a building (the “Building”) (which includes a production centre). The total consideration for the acquisition was approximately HK\$57,354,000 which had been fully paid by Phoenix. Details of the transaction and updates on the development project had been disclosed in the 2000-2001 Annual Report and subsequent reports of the Company. The above transaction did not constitute a notifiable transaction under the GEM Listing Rules at the material time.

During the year ended 30 June 2002, Phoenix transferred the interest of the land use right valued as US\$7,354,000 (HK\$57,354,000) together with cash, totaling US\$8,854,000 (HK\$69,012,000) as capital investment to 深圳鳳凰置業有限公司 (Shenzhen Phoenix Real Estate Co., Ltd.)¹ (“the Joint Venture”), a Sino-foreign co-operative joint venture company incorporated in the PRC in which 90% equity interest were held by Phoenix and the remaining 10% equity interest was and is still held by 北京市宏達建設工程有限責任公司 (Beijing Hongda Construction Company Limited)¹ (“Hongda”). Hongda and the ultimate beneficial owner of Hongda are third parties independent of the Company and connected persons (as defined in GEM Listing Rules) of the Company. The Joint Venture was then treated as a 90% non-wholly owned subsidiary of the Company basing on the percentage of equity interest. The injection of the land and the cash into the Joint Venture did not constitute a notifiable transaction under the GEM Listing Rules at the material time.

On 23 September 2003, Phoenix transferred its 90% interest in the Joint Venture to Phoenix Real Properties Limited (“Real Properties”), which was at that time a wholly-owned subsidiary of Phoenix. Since at that time both Phoenix and Real Properties were wholly-owned subsidiaries of the Company, the Joint Venture was then treated as a 90%-owned subsidiary of the Company based on the percentage of equity interest.

Pursuant to an agreement dated 29 October 2003 entered into by Phoenix and Oasiscity Limited (“Oasiscity”), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as “Neo-Tech Global Limited”), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity acquired from Phoenix 60% interest in Real Properties at par value of US\$1 each (which had been fully-paid) (the “Agreement”). The issue of shares at par value to Oasiscity was part of the commercial arrangement that Oasiscity shall be responsible to provide and/or procure all required financing to Real Properties for the development of the Building and share some of Phoenix's expenses incurred for the development of the Building and that Phoenix shall be entitled to 20,000m² in the Building after completion for its use. Oasiscity and Phoenix, being the shareholders of Real Properties, which in turn is the substantial shareholder of the Joint Venture, will procure that amount of area in the Building to be allocated to Phoenix. The acquisition was completed on 13 January 2004. Since then, Real Properties was no longer a wholly-owned subsidiary as the Group is only holding 40% interest in it. As the only economic benefit of the Group's 40% shareholding in Real Properties is the entitlement of the 20,000m² in the Building, the Group considered, and so confirmed by its auditors, that the investment should be recorded as property deposit and development costs.

Pursuant to the Agreement, Oasiscity shall be responsible to provide and/or procure all required financing to Real Properties for the development of the Building and share some of Phoenix's expenses incurred for the development of the Building. In this respect, Oasiscity had injected cash (which shall be treated as shareholder's loan to Real Properties) and facilitated bank borrowings extended to the Joint Venture using, inter alia, the Land and the Building as security to finance the construction of the Building.

Using HK\$62,515,000 (being the cost of the land use rights totaling HK\$57,354,000 plus other relevant costs incurred by Phoenix in connection with the development of the Building) as a basis and given that the number of shares held by Phoenix in Real Properties remain the same, Oasiscity may, provided that it continues to provide and/or procure all required financing to Real Properties for the development of the Building, increase its shareholding in Real Properties (by way of allotment of new shares at par value) from time to time to the extent that the respective number of shares held by Oasiscity and Phoenix in Real Properties are proportional to the amount of financing provided and/or procured by them to Real Properties for the development of the Building ("Share Increased Provision"). The Share Increased Provision under the Agreement further provides that Oasiscity may ultimately increase its percentage of shareholding in Real Properties up to 80%.

The Group shall not be required to provide any further financing to Real Properties or to the Joint Venture for the development of the Building but on completion of the development, the Group should be entitled to 20,000m² of the non-saleable area of the Building, including a production centre and offices. Phoenix nominated two representatives to act as directors of Real Properties which has a total of five board seats. All shares of Real Properties carry the same rights (including voting rights and rights to receive dividend).

Oasiscity had also executed a share charge in favour of Phoenix, under which it charged 30% equity interest in Real Properties, as security provided to the Group for the due performance of its obligations under the Agreement ("the Charge"). In addition, Neo-China Group (Holdings) Limited has given a guarantee in favour of Phoenix guaranteeing the performance of Oasiscity's obligations under the Agreement and the Charge.

The carrying value of the 20,000m² non-saleable area to which Phoenix would be entitled as at 31 December 2004 amounted to approximately HK\$62,515,000, being the cost of the land use rights totaling HK\$57,354,000 plus other relevant costs incurred in connection with the development of the Building.

The reason for entering into the Agreement was to secure a partner whom has the expertise in property development to construct the Building.

THE SUPPLEMENTARY AGREEMENT

Date: 12 May, 2005

Parties:

- (1) Phoenix
- (2) Oasiscity
- (3) Real Properties, then a 40% owned associated company of the Company

Subject Matter: Phoenix's entitlement of 10,000m² non-saleable area of the Building currently under construction.

Consideration: RMB60,000,000 (equivalent to approximately HK\$55,800,000) payable by 3 installments. Phoenix received the first installment of RMB20,000,000 on 3 June 2005, the second installment of RMB20,000,000 shall be receivable upon the topping out of the main structures which is estimated to be in or about November 2005 and the third installment of RMB20,000,000 shall be receivable upon the final completion of the construction of the Building which is estimated to be in or about July 2006.

As at 12 May 2005, the book value of the assets disposed (i.e. 10,000m² non-saleable area of the Building) is approximately HK\$33,201,000, being half of the cost of the land use rights plus other relevant costs (e.g. the writing-off of the whole amount of the design fee) incurred in connection with the development of the building. The consideration is determined based on the arm's length negotiation between the parties with reference to the market value of similar premises in the vicinity.

Pursuant to the supplementary agreement (the "Supplementary Agreement"), Oasisicity would also be allotted an additional 33 shares in Real Properties at par value (so that after the allotment Oasisicity should hold approximately 70% interest therein) and the Share Increased Provision was amended such that Oasisicity may ultimately increase its percentage of shareholding in Real Properties up to 90%.

The transaction was completed on 12 May 2005, being the date of the execution of the Supplementary Agreement. The Group's entitlement to the relevant portion of the non-saleable area of the Building would then be reduced from 20,000m² to 10,000m² after this transaction. The remaining portion would mainly be used for locating the production centre. After the allotment to Oasisicity, Phoenix's percentage of shareholding in Real Properties would drop from 40% to 30%. Despite the drop in percentage of Phoenix's shareholding in Real Properties, its rights as a shareholder of Real Properties remain the same. Again, before and after providing for estimated taxes arising from this transfer of entitlement of 10,000 square meters of non-saleable area is approximately HK\$22,599,000 and approximately HK\$19,299,000 respectively. The gain after providing for estimated taxes has been recorded in "*other income, net*" in the unaudited condensed consolidated income statement for the three months ended 30 June 2005. The Company's auditors had reviewed the 2005 half-yearly report of the Company and agreed to record the gain at the time of the transaction rather than until the completion of the Building. Since Phoenix had already transferred, at the time of the transaction, its entitlement of 10,000m² of the Building to Oasisicity whom should be responsible for the construction of the Building, it is more appropriate to record the gain at the time of the transaction rather than until the completion of the Building.

In addition, according to the Charge document, the Charge shall be released, among other things, after Oasisicity has paid RMB90,000,000 for or related to the construction of the Building. As at 12 May 2005, Oasisicity had already injected more than RMB130,000,000 into Real Properties as shareholder's loan for the construction of the Building and therefore the charge was released.

As a result of the Supplementary Agreement, Real Properties issued 33 new shares to Oasiscity on 12 May 2005 and the shareholdings in Real Properties of the Group and Oasiscity are 30% and 70%, respectively, as at 30 June 2005. The gain after providing for estimated taxes was approximately HK\$19,299,000.

Reasons for entering into the Supplementary Agreement

The transaction was the consequence of the Company assessing that it would not require as much space as originally thought in Shenzhen in the near future. The Group recorded a one-off gain of approximately HK\$19,299,000 for the disposal. The sales proceeds will be used as general working capital of the Group. The directors of the Company believe that the terms of the transaction are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Information on the Company

The Company, is a Hong Kong-based television broadcaster. Phoenix's channels include Phoenix Chinese, Phoenix Movies, Phoenix InfoNews, Phoenix Chinese News and Entertainment and Phoenix North America Chinese channels, which together broadcast to audiences in the Asia Pacific, as well as in Europe, North America and North Africa, covering more than 100 countries and regions. The Company also operates www.phoenixtv.com website and Phoenix weekly magazine to diversify its business to non broadcast media.

Information on Oasiscity

Oasiscity is a wholly-owned subsidiary of Neo-China Group (Holdings) Limited, the shares of which are listed on the Stock Exchange. Its major business is property investment and development in the PRC.

Information on Real Properties, the Joint Venture and Land & Building

Real Properties is an investment holding company incorporated in the British Virgin Islands on 30 May 2003. No account has been made up since its date of incorporation. Its sole asset is its 90% shareholding interest in the Joint Venture. The Joint Venture is a Sino-foreign co-operative joint venture company established in the PRC on 9 January 2002 by Phoenix and Hongda for the development of the Building.

Based on the latest management account of Real Properties (not consolidated balances) provided by Oasiscity to us, its total assets as at 30 June 2004 and 30 June 2005 were approximately HK\$69,066,000 and HK\$70,256,000 respectively. The increase in total assets was mainly due to the increase in investment in the Joint Venture of approximately HK\$1,170,000. The net asset value of Real Properties as at 30 June 2004 was approximately HK\$1,000 and the net liability value of Real Properties as at 30 June 2005 was approximately HK\$10,000. The decrease was due to operating expense of HK\$11,000 incurred during the year. There was no revenue for both year ended 30 June 2004 and 30 June 2005. There was no profits before tax and after tax for the year ended 30 June 2004. The loss before tax and after tax for 30 June 2005 were HK\$11,000.

Based on the latest management account of the Joint Venture provided by Oasisicity to us, its total assets as at 30 June 2004 and 30 June 2005 were approximately RMB81,702,851 and RMB337,019,696 respectively. The net asset value as at 30 June 2004 and 30 June 2005 were approximately RMB65,557,000 and RMB71,556,000 respectively. The increase in net asset was due to capital injected by Oasisicity to the Joint Venture directly of RMB8,236,891. There was no revenue for both year ended 30 June 2004 and 30 June 2005. The loss before tax and after tax for the year ended 30 June 2004 and 30 June 2005 were RMB704,000 and RMB1,469,000 respectively.

The Building will be a complex of office building, service apartments and shopping arcade with a gross floor area of 80,000m² consisting of around 48,700m² for public sale and around 31,300m² for self-use. Construction began on 30 April 2004 and it is expected that the development will be completed by July 2006.

General Information

The Company confirms that to the best of the directors' knowledge, information and belief having made all reasonable enquiry, Oasisicity and the ultimate beneficial owner of Oasisicity are third parties independent of the Company and connected persons as defined in the GEM Listing Rules of the Company.

The transactions constituted a discloseable transaction under rule 19.06 of the GEM Listing Rules and the Company is required to issue an announcement and circulars. The Company has delayed in issuing a separate announcement in relation to this discloseable transaction. Such delay constitutes a breach of the GEM Listing Rules, although all the major terms of this transaction had already been disclosed in the 2005 half-yearly report of the Company. The Stock Exchange reserves its right to take appropriate actions against the Company and/or the Directors in respect of the aforesaid breach. A circular containing, among other matters, information on the discloseable transaction will be dispatched to the shareholders of the Company as soon as practicable.

By Order of the Board
Liu Changle
Chairman

Hong Kong, 17 October 2005

¹ *name translated for reference only*

The announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date of this announcement, the executive directors of the Company are Mr. LIU Changle and Mr. CHUI Keung, the non-executive directors of the Company are Ms GUTHRIE Michelle Lee, Mr. LAU Yu Leung John, Mr. CHEUNG Chun On Daniel, Mr. XU Gang (alternate director: Mr. GONG Jianzhong) and Mr. CHEUNG San Ping and the independent non-executive directors are Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

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