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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 your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

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

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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

GD Guangdong Securities Limited

A letter from the Independent Board Committee dated 21 July 2006 is set out on page 17 of this circular.

A letter from Guangdong Securities, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders dated 21 July 2006 is set out on pages 18 to 29 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 9/F, One Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong on 18 August 2006 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 meeting. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting should you so wish.

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

21 July 2006

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, unless the context requires otherwise, the following terms shall bear the meanings opposite them:

“Announcement”	The announcement of the Company dated 30 June 2006 relating to the renewal of Continuing Connected Transactions
“annual cap(s)”	Maximum aggregate annual value of the transactions
“associate(s)”	shall have the meaning ascribed under the GEM Listing Rules (as may be amended from time to time)
“Board”	the board of Directors
“Company”	Phoenix Satellite Television Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Connected Transactions” or “Continuing Connected Transactions”	The transactions contemplated in the New Star Services Agreement and STAR Movies Agreement
“Director(s)”	the director(s) of the Company, including independent non executive director(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 18 August 2006
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	The Company and its subsidiaries
“Guangdong Securities”	Guangdong Securities Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Transactions; and a licensed corporation under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	An independent committee of the Board comprising Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK, all being the independent non-executive Directors
“Independent Shareholders”	the shareholders of the Company other than Xing Kong Chuan Mei and its associates
“Independent Third Party(ies)”	an independent third party(ies) which is (are) (i) not connected with any of the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (ii) not a connected person of the Company as defined in the GEM Listing Rules
“Latest Practicable Date”	20 July 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“News Corporation”	The News Corporation Limited, the ultimate holding company of Xing Kong Chuan Mei
“New Star Services Agreement”	the agreement dated 30 June 2006 between STARL and Phoenix HK for the provision of various services including technical and administrative services, subscription promotion service and purchase of decoders and viewing cards service by STARL to the Group
“Old Star Services Agreement”	the agreement dated 15 June 2000 between STARL and Phoenix HK for the provision of various services including technical and administrative services, advertising sales service, subscription promotion service and purchase of decoders service by STARL to the Group
“Phoenix Chinese Channel”	a general entertainment television channel operated by the Group and targeting audiences across Asia, South East Asia, Australia and the Middle East
“Phoenix Chinese News and Entertainment Channel”	a general entertainment television channel operated by the Group and targeting Chinese audience in Europe
“Phoenix InfoNews Channel”	a news television channel operated by the Group and targeting audiences across Asia, South East Asia, Australia, the Middle East and North America
“Phoenix HK”	Phoenix Satellite Television Company Limited, an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Phoenix Movies”	Phoenix Satellite Television (Movies) Limited, an indirect wholly-owned subsidiary of the Company
“Phoenix Movies Channel”	a movies channel operated by the Group and targeting audience primarily in the Mainland China
“Phoenix North America Chinese Channel”	a general entertainment channel operated by the Group and targeting Chinese audience in North America
“Prospectus”	the prospectus of the Company dated 21 June 2000
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“STAR Filmed”	Star TV Filmed Entertainment Limited, an indirect wholly-owned subsidiary of News Corporation
“Star Services Agreement”	the agreement dated 29 May 2003 between STARL and Phoenix HK for the provision of various services, including technical and administrative services, advertising sales service, subscription promotion service and purchase of decoders and viewing cards service by STARL to Phoenix HK and the supplementary agreement dated 1 November 2004 between STARL and Phoenix HK for upgrade to server-based transmission operations and disaster recovery services
“STAR Movies Agreement”	the agreement dated 15 June 2000 between STAR Filmed and Phoenix Movies 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 subsidiary of Xing Kong Chuan Mei
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	United States of America
“US\$”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“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”
“Xing Kong Chuan Mei”	Xing Kong Chuan Mei Group Co., Ltd., formerly known as STAR Television Holdings Limited, which owns approximately 37.53% interest in the Company, is the initial management shareholder and substantial shareholder of the Company (as defined in the GEM Listing Rules). Xing Kong Chuan Mei is an indirect wholly-owned subsidiary of News Corporation

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)

(Stock Code: 8002)

Executive Directors:

LIU Changle (*Chairman*)
CHUI Keung

Non-executive Directors:

CHEUNG Chun On, Daniel
CHEUNG San Ping
Michelle Lee GUTHRIE
LAU Yu Leung, John
XU Gang

Independent non-executive Directors:

Thaddeus Thomas BECZAK
LEUNG Hok Lim
LO Ka Shui

Registered Office:

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

Principal Place of Business:

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18-22 Tak Fung Street
Hung Hom
Kowloon
Hong Kong

21 July 2006

To the Shareholders

Dear Sir or Madam,

RENEWAL OF 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 and the proposed annual caps thereof together with the proposed annual caps of the STAR Movies Agreement.

The purposes of this circular are to provide the Shareholders with further information regarding the Continuing Connected Transactions and other information as required by the GEM Listing Rules and to seek the Independent Shareholders' approval of resolutions relating thereto to be proposed at the EGM.

LETTER FROM THE BOARD

THE RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

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 expired on 30 June 2003. The Star Services Agreement was executed on 29 May 2003 and had expired on 30 June 2006. On 30 June 2006, Phoenix HK entered into the New Star Services Agreement with STARL in order to secure continuity of the services.

Date: 30 June 2006

Parties: (1) Phoenix HK
(2) STARL

Term: 3 years from 1 July 2006 (“**Commencement Date**”)

Condition: the Independent Shareholders approving, confirming and ratifying the agreement and the transactions contemplated therein in accordance with the GEM Listing Rules. If the Condition cannot be fulfilled on or before 31 August 2006 or such later date as STARL and Phoenix HK may agree in writing, then the New Star Services Agreement shall terminate on 31 August 2006 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 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) production support services;
- (ix) information system/general information technology support services;
- (x) engineering support services;
- (xi) office facilities and administration; and
- (xii) upgrade of transmission operation system and disaster recovery services (collectively “**Technical and Administrative Services**”).

Phoenix HK may terminate the Technical and Administrative Services by giving various lengths of notice periods ranging from twelve months to 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 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 Specifically Requested Services will be provided by STARL on terms no less favourable to the Company than those available from Independent Third Parties. 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.

LETTER FROM THE BOARD

b. Consideration

Monthly fee 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. In respect of the upgrade of transmission operation system and disaster recovery services, Phoenix HK shall also pay to STARL the actual third party costs and expenses incurred by STARL for providing such services to Phoenix HK in addition to the fixed rate payment. The total amount of fixed fees for the first year of the agreement is approximately HK\$43,908,000. 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 2007 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 mainly on cost basis by reference to, among other things, third party cost, staff cost, management support cost, administrative costs, equipment and operational cost, engineering and maintenance cost (if any) of each of the Technical and Administrative Services.

c. Proposed Annual Caps

For the six months ended 31 December 2003, the financial years ended 31 December 2004 and 2005 and for the five months ended 31 May 2006, the amounts of fees paid or payable by the Group for the use of the aforesaid services were approximately HK\$22,049,000, HK\$52,918,000, HK\$54,174,000 and HK\$22,221,000 respectively. The Company changed its financial year end from 30 June to 31 December on 8 January 2004.

The proposed annual caps of the service fees payable by the Group for the Technical and Administrative Services and the Specifically Requested Services are set out as follows:

For the period from 1 July 2006 to 31 December 2006	HK\$29,500,000
For the financial year ending 31 December 2007	HK\$59,000,000
For the financial year ending 31 December 2008	HK\$60,000,000
For the period from 1 January 2009 to 30 June 2009	HK\$30,500,000

The cap amounts are determined by reference to, among other things, the fixed fees payable for the Technical and Administrative Services 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.

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 the Group to be mutually agreed between STARL and Phoenix HK 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 and the commission rate for media advertising adopted by the top ranking 4A (Association of Accredited Advertising Agency) international advertising agencies.

c. *Proposed Annual Caps*

For the six months ended 31 December 2003, the financial years ended 31 December 2004 and 2005, and for the five months ended 31 May 2006, the amounts of commission paid or payable by the Group to STARL for the promotion of channel subscription were approximately HK\$1,358,000, HK\$2,645,000, HK\$2,864,000 and HK\$1,299,000 respectively.

The proposed annual caps of the commission payable by the Group for the Subscription Promotion Services are set out as follows:

For the period from 1 July 2006 to 31 December 2006	HK\$2,000,000
For the financial year ending 31 December 2007	HK\$4,000,000
For the financial year ending 31 December 2008	HK\$4,000,000
For the period from 1 January 2009 to 30 June 2009	HK\$2,500,000

The cap amounts are determined by reference to, among other things, historical figures of the commission paid and the projected development in channel subscription of the Group.

LETTER FROM THE BOARD

3. *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.

c. *Proposed Annual Caps*

For the six months ended 31 December 2003, the financial years ended 31 December 2004 and 2005, and for the five months ended 31 May 2006, the amounts of fees paid or payable by the Group for the purchase of decoders were approximately HK\$0, HK\$5,000, HK\$0 and HK\$0 respectively.

The proposed annual caps of the fees payable by the Group for the Purchase of Decoders and Viewing Cards Service are set out as follows:

For the period from 1 July 2006 to 31 December 2006	HK\$500,000
For the financial year ending 31 December 2007	HK\$1,000,000
For the financial year ending 31 December 2008	HK\$1,000,000
For the period from 1 January 2009 to 30 June 2009	HK\$500,000

The cap amounts are determined by reference to, among other things, the projected demand from our existing subscribers for replacement of old and obsolete decoders and/or viewing cards, possible increase in number of subscribers of Phoenix Movies Channel and fluctuation in the costs of the decoders and viewing cards. The demand for replacement of decoders and viewing cards in the past few years had been very low but it is anticipated that demand for new decoders and viewing cards in the coming years will increase as a lot of them will become old and obsolete. The subscription base for the Phoenix Movies Channel has been relatively small over the years and it is anticipated that the potential for grow is moderate. 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 caps substantially higher than the historical value for these transactions.

LETTER FROM THE BOARD

Reasons for renewal of the New Star Services Agreement

The Star Services Agreement had expired on 30 June 2006, the entry of the New Star Services Agreement is to secure continuity of 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 consider 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 so far as the Shareholders are concern.

An Independent Board Committee has been established to advise the Independent Shareholders on whether or not the terms of the transactions requiring approval are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Guangdong Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the transactions requiring approval.

B. 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 "Connected Transactions". The Waiver granted in respect of such transactions expired on 30 June 2003.

On 26 June 2003, the Independent Shareholders approved the transaction contemplated in the STAR Movies Agreement and the proposed annual caps thereof for three years ended 30 June 2006. The Company shall request the Independent Shareholders to review the transactions and approve the proposed annual caps for the transactions contemplated in the STAR Movies Agreement for the period from 1 July 2006 to 31 December 2006, the financial year ended 31 December 2007 and the period from 1 January 2008 to 27 August 2008.

Date: 15 June 2000

Parties: (1) Phoenix Movies
(2) STAR Filmed

Term: 10 years commencing from 28 August 1998

LETTER FROM THE BOARD

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\$237,500 (approximately HK\$1,852,500) per month is payable by Phoenix Movies to STAR Filmed for the license. Phoenix Movies had paid to STAR Filmed an aggregate amount of US\$6,035,519.12 (approximately HK\$47,077,000) as license fee during the period from 28 August 1998 to 23 January 2000. Both parties subsequently agreed that the aggregate amount of the license fee payable by Phoenix Movies to STAR Filmed during the period from 28 August 1998 to 23 January 2000 should be US\$4,037,500 (approximately HK\$31,492,000) and Phoenix Movies shall be entitled, from 14 January 2000 to the expiry of the licence period, to deduct from the license fee payable by Phoenix Movies on a monthly basis for the remaining term of the license period an amount equal to US\$19,398.24 (approximately HK\$151,300) to set off against the above-mentioned abatement. (The total amount of abatement payable by STAR Filmed to Phoenix Movies shall be US\$1,998,019.12 (approximately HK\$15,584,000)). As a result, the net monthly licence fee payable to STAR Filmed should be US\$218,101.76 (i.e. US\$237,500 – US\$19,398.24) (approximately HK\$1,701,194).

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 (approximately 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 (approximately HK\$280,800,000) for the entire term.

Proposed Annual Caps

Pursuant to the Waiver, this connected transaction is subject to an annual cap of HK\$23,000,000. For the six months ended 31 December 2003, financial years ended 31 December 2004 and 2005, and for the five months ended 31 May 2006, the amount of fees (net of the abatement) paid or payable by the Group to STAR Filmed for the license of movies were approximately HK\$10,172,000, HK\$20,337,000, HK\$20,355,000 and HK\$8,458,000 respectively.

The proposed annual caps of the fees (net of the abatement) payable by the Group for the license of movies from STAR Filmed are set out as follows:

For the period from 1 July 2006 to 31 December 2006	HK\$11,000,000
For the financial year ending 31 December 2007	HK\$22,000,000
For the period from 1 January 2008 to 27 August 2008	HK\$15,000,000

LETTER FROM THE BOARD

The cap amounts are 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, is a Hong Kong-based television broadcaster and its channels include Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix InfoNews Channel, Phoenix Chinese News and Entertainment Channel and Phoenix North America Chinese Channel, 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 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.

Continuing Connected Transaction

Amongst the parties to the renewal of New Star Services Agreement, Phoenix HK is an indirect wholly-owned subsidiary of the Company. STARL is a subsidiary of Xing Kong Chuan Mei, which owns approximately 37.53% interest in the Company, is the initial management shareholder and substantial shareholder of the Company (as defined in the GEM Listing Rules). The Directors have been notified by Xing Kong Chuan Mei that on 8 June 2006 Xing Kong Chuan Mei and China Mobile (Hong Kong) Group Limited entered into a share purchase agreement pursuant to which Xing Kong Chuan Mei shall sell shares of the Company representing 19.9% of the issued share capital of the Company to China Mobile (Hong Kong) Group Limited. Completion of such share purchase agreement is subject to, amongst others, the obtaining of relevant PRC regulatory approvals. However, whether or not completion of such share sale and purchase shall take place, STARL shall continue to be a connected person of the Company under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

Amongst the parties to the STAR Movies Agreement, Phoenix Movies is an indirect wholly-owned subsidiary of the Company. STAR Filmed is an indirect wholly-owned subsidiary of News Corporation, which is the ultimate holding company of Xing Kong Chuan Mei, the initial management shareholder and substantial shareholder of the Company (as defined in the GEM Listing Rules). Accordingly, STAR Filmed is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

It is anticipated that the relevant percentage ratios of the transactions contemplated in the afore-mentioned agreements will, on an annual basis, be more than 2.5% but less than 25% and the annual consideration is more than HK\$10,000,000, such transactions will constitute non-exempt continuing connected transactions of the Company under Rule 20.35 of the GEM Listing Rules. The Company will be subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements pursuant to Rules 20.45 to 20.54 of the GEM Listing Rules in relation to those transactions.

Ordinary resolutions will be proposed at the EGM to approve, confirm and/or ratify by way of poll the renewal of New Star Services Agreement and the proposed annual caps thereof together with the proposed annual caps of the STAR Movies Agreement. **Xing Kong Chuan Mei and its associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the New Star Services Agreement and proposed annual caps for the New Star Services Agreement and the STAR Movies 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 and accounts in the manner described in Rule 20.45(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 period/years ended 31 December 2009 shall not exceed the amounts set out above.
- (c) the independent non-executive Directors will review the Continuing Connected Transactions annually and confirm in the Company's annual report and accounts 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

LETTER FROM THE BOARD

- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (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 and publish an announcement 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 20.37 and/or 20.38 of the GEM Listing Rules respectively; and
- (f) 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 20.39 of the GEM Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors are of the view that the New Star Services 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 and their respective annual caps and the annual cap for the STAR Movies Agreement will be proposed at the EGM.

EXTRAORDINARY GENERAL MEETING

The EGM will be held at 9/F, One Harbourfront, 18-22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on 18 August 2006 at 3:00 p.m. A notice of the EGM is set out on pages 39 to 40 of this circular at which ordinary resolutions will be proposed to seek the Independent Shareholders' approval of the New Star Services Agreement and their respective annual caps together with the annual cap for the STAR Movies Agreement and other related matters (if any). **Xing Kong Chuan Mei and its associates will abstain from voting at the EGM in respect of the ordinary resolutions regarding the New Star Services Agreement and proposed annual caps for the New Star Services Agreement and the STAR Movies Agreement.**

LETTER FROM THE BOARD

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 branch share registrar of the Company, Hong Kong Registrars Limited at Hopewell Centre, 46th Floor, 183 Queen's Road East, Wan Chai, 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.

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 Guangdong Securities has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in such regard.

The Independent Board Committee, having taken into account the advice of Guangdong Securities, 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 and proposed annual caps for the New Star Services Agreement and the STAR Movies Agreement to be proposed at the EGM.

GENERAL

The letter from Guangdong Securities containing its advice and recommendation to the Independent Board Committee and Independent Shareholders is set out on pages 18 to 29 of this circular. The letter of advice from the Independent Board Committee containing its recommendation is set out on page 17 of this circular.

Your attention is drawn to the letter from the Independent Board Committee, the letter of advice from Guangdong Securities, 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)

(Stock Code: 8002)

Registered Office:

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681GT, George Town

Grand Cayman

British West Indies

21 July 2006

To the Independent Shareholders

Dear Sirs or Madam,

RENEWAL OF 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 21 July 2006 (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 Guangdong Securities in respect of the Continuing Connected Transactions as set out in the letter from Guangdong Securities in the Circular. Having taken into account the advice of Guangdong Securities, we consider that the terms of the New Star Services 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 Company and Shareholders (including the Independent Shareholders) are concerned and the new 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 and the annual caps thereof together with the annual caps of the STAR Movies Agreement to be proposed at the EGM.

Yours faithfully,

Independent Board Committee

LO Ka Shui

Director

LEUNG Hok Lim

Director

Thaddeus Thomas BECZAK

Director

LETTER FROM GUANGDONG SECURITIES

The following is the text of the letter of advice given by Guangdong Securities for the purpose of incorporation in this circular; in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the New Star Services Agreement and the New Annual Caps.

Guangdong Securities Limited

Guangdong Securities Limited
Units 2505-06
25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

21 July 2006

*To the Independent Board Committee and the Independent Shareholders of
Phoenix Satellite Television Holdings Limited*

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions in accordance with the New Star Services Agreement entered into between Phoenix HK and STARL on 30 June 2006 as to whether the terms of the New Star Services Agreement contemplated therein and entering into the New Star Services Agreement is in the interests of the Company and its Shareholders so far as the Independent Shareholders are concerned and the new annual caps stipulated in the New Star Services Agreement and the STAR Movies Agreement (the "New Annual Caps") are fair and reasonable; details of which are contained in the letter from the Board in the circular issued to the Shareholders dated 21 July 2006 (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.

On 30 June 2006, Phoenix HK has entered into the New Star Services Agreement with STARL for the provision of the Technical and Administrative Services, the Subscription Promotion Service, and the Purchase of Decoders and Viewing Cards Service and other Specifically Requested Services (such services are defined in the section headed "Nature and terms of the New Star Services Agreement" below) to the Group for a term of three years commencing from 1 July 2006 and ending on 30 June 2009. A similar agreement, namely Star Services Agreement, was entered into between Phoenix HK and STARL on 29 May 2003 which term expired on 30 June 2006.

In addition, prior to the listing of the shares of the Company on GEM on 30 June 2000, Phoenix Movies, a wholly-owned subsidiary of the Company, had entered into the STAR Movies Agreement with STAR Filmed for a term of 10 years commencing from 28 August 1998. The Waiver and the relevant

LETTER FROM GUANGDONG SECURITIES

annual caps thereof expired on 30 June 2003 and the previous approved annual caps thereof expired on 30 June 2006. The Company shall request the Independent Shareholders to review, approve, confirm and/or ratify the renewal of New Star Services Agreement and the New Annual Caps.

The Independent Board Committee, comprising Dr. Lo Ka Shui, Mr. Leung Hok Lim and Mr. Thaddeus Thomas Beczak, all of whom are independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the New Star Services Agreement contemplated therein and entering into the New Star Services Agreement and the New Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders so far as the Independent Shareholders are concerned.

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Company, its Directors and management of the Company. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company, its Directors and management of the Company. We have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statement of intention of the Company, its Directors and management of the Company as set out in the Circular will be implemented. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company, its Directors and management of the Company, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and shall continue to be true, complete and accurate at the date of the EGM.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Company and its Directors and management of the Company in connection with the transactions and discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the New Star Services Agreement contemplated therein and the New Annual Caps. Relevant information and documents, included, among other things, the STAR Movies Agreement, the New Star Services Agreement, the Star Services Agreement and the annual report of the Company for the year ended 31 December 2005. We believe that we have reviewed sufficient information to enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion regarding the New Star Services Agreement and the New Annual Caps. We have not, however, carried out any independent verification of the information and representations provided to us by the management of the Company and the Directors nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company or its subsidiaries or associated companies.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of, the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Continuing Connected Transactions. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

LETTER FROM GUANGDONG SECURITIES

RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders relating to the fairness and reasonableness of the terms of the New Star Services Agreement and the New Annual Caps, we have taken into consideration, inter alia, the following principal factors and reasons:

A. Background and reasons for entering into the New Star Services Agreement

As stated in the letter from the Board, STARL has been providing technical and administrative, channel subscription promotion 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, the Old Star Services Agreement and the Star Services Agreement were set out in the Prospectus under the section headed “Connected Transactions” and the announcement of the Company dated 29 May 2003 respectively. The Old Star Services Agreement and the Waiver granted in respect of the abovementioned services expired on 30 June 2003. The Star Services Agreement was executed on 29 May 2003 and had expired on 30 June 2006. On 30 June 2006, Phoenix HK has entered into the New Star Services Agreement with STARL in order to secure continuity of the 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. Nature and terms of the New Star Services Agreement

1. The 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) production support services;
- (ix) information system/general information technology support services;
- (x) engineering support services;
- (xi) office facilities and administration; and
- (xii) upgrade of transmission operation system and disaster recovery services (collectively the “Technical and Administrative Services”).

LETTER FROM GUANGDONG SECURITIES

Phoenix HK may terminate the Technical and Administrative Services by giving various lengths of notice periods ranging from twelve months to one month. However, if Phoenix HK intends to appoint a third party to provide the same or substantially similar services 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 fees payable to STARL to be negotiated and agreed in good faith on an arm's length basis for such additional services (the "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 Specifically Requested Services will be provided by STARL on terms no less favourable to the Company than those available from Independent Third Parties. 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 fee 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. In respect of the upgrade of transmission operation system and disaster recovery services, Phoenix HK shall also pay to STARL the actual third party costs and expenses incurred by STARL for providing such services to Phoenix HK in addition to the fixed rate payment. The total amount of fixed fees for the first year of the agreement is approximately HK\$43,908,000. 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 2007 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 mainly on cost basis by reference to, among other things, costs including third party cost, staff cost, management support cost, administrative costs, equipment and maintenance cost, engineering and maintenance cost (if any) of each of the Technical and Administrative Services.

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2. The 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 the Group to be mutually agreed between STARL and Phoenix HK 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 (the "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 and the commission rate for media advertising adopted by the top ranking 4A (Association of Accredited Advertising Agency) international advertising agencies.

3. 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 (the "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.

C. Basis of our opinion

As aforesaid, we have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the transactions contemplated under the New Star Services Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As discussed with the management of the Company, the Group is involved in a business that is dominated by few players and the services required are unique and supplied either by few or nil third party suppliers in the market. In forming our opinion, we have compared the terms of the New Star Services Agreement with the Star Services Agreement and found that save as the elimination of the Advertising Sales Service, the services rendered under the New Star Services Agreement are substantially

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the same as in the Star Services Agreement. We have also discussed with the management of the Company in order to understand the technical terms of the New Star Services Agreement, the background and negotiation process thereof and the bases of consideration for the services.

1. The Technical and Administrative Services

We have reviewed the terms contemplated under the Technical and Administrative Services in the New Star Services Agreement and compared these terms with those under the Star Services Agreement. We noted that save as the information system/general information technology support services, the traffic and presentation/network traffic services and the engineering support services, the technical and administrative services and the terms for providing such services under the New Star Services Agreement are substantially the same as those stipulated under the Star Services Agreement. We note that: (a) there is a 35% increase in the yearly charge on the usage of the information system/general information technology support services by the Group. Such increase is mainly due to the increase in the number of the computers from approximately 200 units in the year 2003 to approximately 250 units in the year 2006 and the software installed in the computers used by the Group; (b) there is a 12% increase in the yearly charge on the use of traffic and presentation/network traffic services by the Group. Such increase is mainly due to the increase in costs to STARL triggered by 7% increase of the license fee charged to STARL by its licensor and 5% increase in STARL's staff cost; and (c) there is a 5% increase in the yearly charge on the use of the engineering support services by the Group. Such increase is mainly due to the increase of STARL's staff cost.

We have reviewed each item of the services from (i) to (xii) under the section headed "Nature and terms of the New Star Services Agreement" above which are contemplated in the New Star Services Agreement and discussed with the management of the Company together with the management of STARL to understand the technical areas of the services provided to the Company, the background and negotiation process thereof and the bases of consideration for these services. We note that the charging basis of the Technical and Administrative Services is by two methods: (1) determined on commercial negotiation with reference to the rates charged by STARL to its division or the channels operated by STARL itself or its associated company according to the internal cost structure of STARL for the provision of the same or similar services; or (2) if STARL renders the services involving some of its external supplier(s), STARL will charge such costs borne by STARL to the Company. Taking into account (a) the Group is operating in an industry dominated by few players and the respective services required are unique and supplied either by few or nil third party suppliers in the market. For certain services contemplated under the Technical and Administrative Services, it is difficult for the Company to source from other external supplier(s) to provide similar services to the Company in single or partial; (b) for certain services which the Company cannot source from other external supplier(s) but relying on STARL, we consider that the Company can share with STARL to enjoy the benefit of the convenience and efficiency in the provision of those services provided by STARL; and (c) for certain services which the Company can source from other external supplier(s), we have reviewed a quotation for digital transponder capacity service as mentioned in (i) under the section headed "Nature and terms of the New Star Services Agreement" above from an independent third party service provider and found that the quotation made by the independent third party is substantially higher than the charging rate made in this service under the New Star Services Agreement. For those services which the Company can

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source from other external supplier(s), we have discussed with the management of the Company and noted that since STARL is operating over 20 satellite channels in Hong Kong, STARL can enjoy the benefits of the economies of scale as well as the bulk purchase discount rates available to STARL due to the long term relationship with its suppliers. We consider that it is beneficial to the Group to continuously rely on STARL to provide such services, so that the Group can enjoy a lower cost as compared with that if the Group sources from other external supplier(s) for those similar service(s). Based on the above analysis, we have considered that such service charging basis as contemplated in the New Star Services Agreement is a reasonable approach to determine the amount charged to each service under the Technical and Administrative Services and it is reasonable for the Group to continuously rely on STARL to provide such service since Phoenix HK can and will continue to enjoy the benefits of the economies of scale, the convenience and efficiency in the provision of services due to the long term relationship, the geographical proximity and the bulk purchase discount rates enjoyed by STARL.

As laid down in the New Star Services Agreement, Phoenix HK may terminate the digital 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 services 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 Company, they will review from time to time the operating model of the Group so as to achieve the most efficient and cost effective structure.

2. The 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 under the New Star Services Agreement and is the same as the terms stipulated in the Star Services Agreement. 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. As discussed with the management of the Company and STARL, we note that STARL will promote the channels operated by Phoenix HK together with the channels operated by STARL in a bundle package for the subscribers to choose. We have considered that (a) besides Phoenix HK can promote its channels to subscribers itself, it is easier and more efficient for the Company to further promote its channels through STARL since STARL has its market advantages and resources to promote the TV channels (including channels operated by Phoenix TV) in a package form to the subscribers in Hong Kong and other countries in Asia; (b) the commission rate charged for the Subscription Promotion Service under the New Star Services Agreement is the same as the respective rate charged under the Star Services Agreement; and (c) as the Group did not have other external independent supplier to provide similar services, we cannot compare the commission rate charged by STARL with other independent supplier to the Group. However, we note that the commission rate under the New Star Services Agreement is determined based on normal commercial terms with reference to the rates charged by STARL to other channels for the provision of the same or similar services. Based on the above analysis, we

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consider that such commission rate as contemplated in the New Star Services Agreement is reasonably determined.

3. The 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 under the New Star Services Agreement and is the same as the terms stipulated in the Star Services Agreement. As discussed with the management of the Company and STARL, we note that the Company has purchased the decoders and viewing cards from STARL from starting because STARL usually purchases similar decoders and viewing cards in a much larger amount and enjoys bulk purchase discount rates due to the long term relationship between STARL and the suppliers and bulk purchase. We have considered that (a) the Company can enjoy lower costs to purchase such decoders and viewing cards through STARL than purchasing by the Company itself due to the bulk purchase discount enjoyed by STARL; and (b) as the Group did not source the decoders and viewing cards from other external independent supplier, we cannot compare the price charged by STARL with other independent supplier to the Group. However, we note that such pricing under the New Star Services Agreement is determined based on the cost to STARL plus (if any) transportation costs of such decoders and viewing cards and such pricing basis is same as the respective basis under the Star Services Agreement. Based on the above analysis, we consider that such pricing basis to purchase the decoders and viewing cards as contemplated in the New Star Services Agreement is reasonably determined.

We have considered (a) the service charging basis as contemplated in the New Star Services Agreement mentioned above is reasonable; (b) the entry into the New Star Services Agreement with STARL not only enable Phoenix HK to be filled up with those services gaps which are not performed by the Group, but also as to enjoy the benefits of the economies of scale achieved by STARL which is operating over 20 satellite channels in Hong Kong, a stable supply of services and the convenience and efficiency due to the long term relationship and geographical proximity as well as the bulk purchase discount rates available to STARL; (c) for the Subscription Promotion Service, the charging rate made by STARL to the Group is referred and determined to the rate that STARL charges to other channels for the provision of the same or similar services; and (d) it is the policy of Phoenix HK to reduce the outsourcing of services. If the Group finds that it is more cost effective and efficient to take up itself any of the services to be provided by STARL under the New Star Services Agreement, Phoenix HK will consider terminating such service by giving notice. 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 are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

D. Bases of the annual caps

Details of the New Annual Caps are stated in the letter from the Board. For our assessment on the reasonableness of the New Annual Caps, among others, we focus on (1) the fairness and reasonableness of the terms of the New Star Services Agreement which have been analyzed in the relevant sections

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above; and (2) whether the bases of the New Annual Caps of the New Star Services Agreement and the STAR Movies Agreement are in line with the Group's business expansion policy and strategy and its operation conditions. We elaborate as follows:

I. The New Star Services Agreement

1. *The Technical and Administrative Services*

For the six months ended 31 December 2003, the financial years ended 31 December 2004 and 2005 and for the five months ended 31 May 2006, the amounts of fees paid or payable by the Group for the use of the aforesaid services were approximately HK\$22,049,000, HK\$52,918,000, HK\$54,174,000 and HK\$22,221,000 respectively.

The proposed annual caps of the service fees payable by the Group for the Technical and Administrative Services and the Specifically Requested Services are set out as follows:

For the period from 1 July 2006 to 31 December 2006	HK\$29,500,000
For the financial year ending 31 December 2007	HK\$59,000,000
For the financial year ending 31 December 2008	HK\$60,000,000
For the period from 1 January 2009 to 30 June 2009	HK\$30,500,000

2. *The Subscription Promotion Service*

For the six months ended 31 December 2003, the financial years ended 31 December 2004 and 2005, and for the five months ended 31 May 2006, the amounts of commission paid or payable by the Group to STARL for the promotion of channel subscription were approximately HK\$1,358,000, HK\$2,645,000, HK\$2,864,000 and HK\$1,299,000 respectively.

The proposed annual caps of the commission payable by the Group for the Subscription Promotion Service are set out as follows:

For the period from 1 July 2006 to 31 December 2006	HK\$2,000,000
For the financial year ending 31 December 2007	HK\$4,000,000
For the financial year ending 31 December 2008	HK\$4,000,000
For the period from 1 January 2009 to 30 June 2009	HK\$2,500,000

3. *The Purchase of Decoders and Viewing Cards Service*

For the six months ended 31 December 2003, the financial years ended 31 December 2004 and 2005, and for the five months ended 31 May 2006, the amounts of fees paid or payable by the Group for the purchase of decoders were approximately HK\$0, HK\$5,000, HK\$0 and HK\$0 respectively.

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The proposed annual caps of the fees payable by the Group for the Purchase of Decoders and Viewing Cards Service are set out as follows:

For the period from 1 July 2006 to 31 December 2006	HK\$500,000
For the financial year ending 31 December 2007	HK\$1,000,000
For the financial year ending 31 December 2008	HK\$1,000,000
For the period from 1 January 2009 to 30 June 2009	HK\$500,000

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

For the Technical and Administrative Services, the cap amounts are determined by reference to, among other things, the fixed fees payable for the Technical and Administrative Services 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 the Subscription Promotion Service, the cap amounts are determined by reference to, among other things, historical figures of the commission paid and the projected development in channel subscription of the Group.

For the Purchase of Decoders and Viewing Cards Service, the cap amounts are determined by reference to, among other things, the projected demand from the existing subscribers for replacement of old and obsolete decoders and/or viewing cards, possible increase in number of subscribers of Phoenix Movies Channel and fluctuation in the costs of the decoders and viewing cards. The demand for replacement of decoders and viewing cards in the past few years had been very low but it is anticipated that demand for new decoders and viewing cards in the coming years may increase as a lot of the decoders and viewing cards which are now in use will soon become old and obsolete. 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 caps higher than the historical value for these transactions in view of a possible substantial increase in the demand for new decoders and viewing cards.

The proposed annual caps for the Technical and Administrative Services, the Subscription Promotion Service and the Purchase of Decoders and Viewing Cards Service as stipulated in the New Star Services Agreement are set to an amount which is higher than the historical value. As compared with the historical amount of fees paid for the Technical and Administrative Services and the Specifically Requested Services for the financial year ended 31 December 2005 of approximately HK\$54,174,000, the proposed annual caps of such service fees payable by the Group for financial year ending 31 December 2007 and 2008 of HK\$59,000,000 and HK\$60,000,000 respectively represents an increase of approximately 8.9% and 10.8% respectively, we consider that such increase in proposed annual caps for the Technical and Administrative Services is mainly due to the increase in fee of the information system/general information technology support services, the traffic and presentation/network traffic services and the engineering support services. As to the increase in the annual caps for the Subscription Promotion Service and the Purchase of Decoders and Viewing Cards Service, we understand that the Directors believe that there may be a possible increase in the number of subscribers and hence expand its subscription revenue in the coming future and an expected increase in the demand for decoders and viewing cards by its subscribers and

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therefore the expected increase in fee to be paid for the Purchase of Decoders and Viewing Cards Service for the reasons explained in the above paragraph. We therefore consider that the proposed annual caps for the relevant transactions in respect of the New Star Services Agreement are fair and reasonable so far as the Company as a whole and the Shareholders are concerned.

II. The STAR Movies Agreement

As stated in the letter from the Board, 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. Details of the transactions of the STAR Movies Agreement were set out in the Prospectus under the section headed "Connected Transactions". The Waiver granted in respect of such transactions expired on 30 June 2003. Under the STAR Movies Agreement, Phoenix Movies is granted a 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) for a term of 10 years commencing from 28 August 1998 and ending on 27 August 2008. A base fee of US\$237,500 (approximately HK\$1,852,500) per month is payable by Phoenix Movies to STAR Filmed for the license. Phoenix Movies had paid to STAR Filmed an aggregate amount of US\$6,035,519.12 (approximately HK\$47,077,000) as license fee during the period from 28 August 1998 to 23 January 2000. Both parties subsequently agreed that the aggregate amount of the license fee payable by Phoenix Movies to STAR Filmed during the period from 28 August 1998 to 23 January 2000 should be US\$4,037,500 (approximately HK\$31,492,000) and Phoenix Movies shall be entitled, from 14 January 2000 to the expiry of the license period, to deduct from the license fee payable by Phoenix Movies on a monthly basis for the remaining term of the license period an amount equal to US\$19,398.24 (approximately HK\$151,300) to set off against the above-mentioned abatement. As a result, the net monthly license fee (net of the abatement) payable to STAR Filmed is agreed at US\$218,101.76 (approximately HK\$1,701,194).

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 (approximately 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 (approximately HK\$280,800,000) for the entire term.

Pursuant to the Waiver, this connected transaction is subject to an annual cap of HK\$23,000,000. For the six months ended 31 December 2003, financial years ended 31 December 2004 and 2005, and for the five months ended 31 May 2006, the amount of fees (net of the abatement) paid or payable by the Group to STAR Filmed for the license of movies were approximately HK\$10,172,000, HK\$20,337,000, HK\$20,355,000 and HK\$8,458,000 respectively.

The proposed annual caps of the fees (net of the abatement) payable by the Group for the license of movies from STAR Filmed are set out as follows:

For the period from 1 July 2006 to 31 December 2006	HK\$11,000,000
For the financial year ending 31 December 2007	HK\$22,000,000
For the period from 1 January 2008 to 27 August 2008	HK\$15,000,000

LETTER FROM GUANGDONG SECURITIES

As stated in the letter from the Board, the cap amounts are determined primarily by reference to the terms of the STAR Movies Agreement and the historical figures of the license fees (net of the abatement) 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 herein above. 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.

The proposed annual caps for the STAR Movies Agreement are set with reference to the terms of the Star Movies Agreement and to an amount slightly higher than the historical value. We understand that the Directors believe that such increment is set for the flexibility purpose in the case that there may be monthly license fee adjustment in future due to the increase of net subscription revenue for the Phoenix Movies Channel. We therefore consider that the proposed annual caps in respect of the STAR Movies Agreement are fair and reasonable so far as the Company as a whole and the Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into the New Star Services Agreement is in the interests of the Company and the Shareholders as a whole, and that the terms of the New Star Services Agreement and the New Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders, and we also recommend to the Independent Shareholders, to vote in favour of the ordinary resolutions approving the New Star Services Agreement and the New Annual Caps at the EGM.

Yours faithfully,
For and on behalf of
GUANGDONG SECURITIES LIMITED

C. K. Poon **Jimmy Chan**
Authorized signatories

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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) 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. DIRECTORS' INTERESTS

2.1 Interests in securities

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required 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 such Director or chief executive is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

(1) *Shares*

Name of Director	No. of Shares held	Nature of interest	Position	Approximate shareholding percentage
LIU Changle	1,854,000,000 (Note)	Corporate	Long	37.53%
LO Ka Shui	3,200,000	Personal	Long	0.06%

Note: Mr. LIU Changle is the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia Limited, which in turn has an interest in approximately 37.53% of the issued share capital of the Company as at the Latest Practicable Date.

(2) *Share options*

Name of Director	Date of grant	Exercise period	Exercise price per Share HK\$	Underlying Shares pursuant to the share options as at the Latest Practical Date
LIU Changle	14 June 2000	14 June 2001 to 13 June 2010	1.08	5,320,000
CHUI Keung	14 June 2000	14 June 2001 to 13 June 2010	1.08	3,990,000

The share options were granted under the pre-IPO share option scheme approved by the Shareholders on 7 June 2000 as amended on 14 February 2001 and 10 December 2004 respectively. No such options have been exercised during the period from the date of grant to the Latest Practicable Date.

Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required 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 the Director or chief executive is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

2.2 Interests in service contracts

On 29 June 2006, each of the executive Directors of the Company has entered into a new service contract with the Company for a fixed term of three years commenced from 1 July 2006.

Save as disclosed herein, none of the Directors has entered or proposed to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

2.3 Interests in asset

Save as disclosed in the Prospectus and the 2005 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 14 March 2006, the date to which the latest published audited financial statements were made up.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS DISCLOSEABLE UNDER PART XV OF THE SFO

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or held any option in respect of such capital:

(i) Substantial shareholders of the Company

Name of substantial shareholder	Number of Shares	Approximate shareholding percentage
Today's Asia Limited (<i>Note 1</i>)	1,854,000,000	37.53%
China Mobile (Hong Kong) Group Limited (<i>Note 2</i>)	983,000,000	19.90%
Xing Kong Chuan Mei Group Co., Ltd (<i>Notes 2 and 3</i>)	871,000,000	17.63%

Notes:

1. Today's Asia Limited is beneficially owned by Mr. LIU Changle and Mr. CHAN Wing Kee as to approximately 93.3% and 6.7% interests, respectively.
2. The Directors have been notified by Xing Kong Chuan Mei Group Co., Ltd that on 8 June 2006, Xing Kong Chuan Mei Group Co., Ltd and China Mobile (Hong Kong) Group Limited entered into a share purchase agreement (the "Share Purchase Agreement") pursuant to which Xing Kong Chuan Mei Group Co., Ltd shall sell Shares representing 19.9% of the issued share capital of the Company to China Mobile (Hong Kong) Group Limited. Completion of the Share Purchase Agreement is subject to, amongst others, the obtaining of relevant PRC regulatory approvals. Upon completion of the Share Purchase Agreement, China Mobile (Hong Kong) Group Limited will own 983,000,000 Shares. As at the Latest Practicable Date, the Directors have not been informed by Xing Kong Chuan Mei Group Co., Ltd on the completion of the Share Purchase Agreement.

China Mobile (Hong Kong) Group Limited is a wholly-owned subsidiary of China Mobile Communications Corporation. By virtue of the SFO, China Mobile Communications Corporation is deemed to be interested in the 983,000,000 Shares held by China Mobile (Hong Kong) Group Limited upon completion of the Share Purchase Agreement.

3. Xing Kong Chuan Mei Group Co., Ltd 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 LLC Australia Pty Limited, which in turn is a wholly-owned subsidiary of New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC 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 is an indirect wholly-owned subsidiary of News Corporation.

By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, News Publishers Investments Pty, Limited, News Cayman Holdings Limited and STAR Group Limited are all deemed to be interested in the 871,000,000 Shares held by Xing Kong Chuan Mei Group Co., Ltd.

As mentioned in note 2 above, the shareholding of Xing Kong Chuan Mei Group will be decreased from approximately 37.53% to 17.63% on the completion of the Share Purchase Agreement.

(ii) **Other person which is required to disclose its interests**

Name of other person who has more than 5% interest	Number of Shares	Approximate shareholding percentage
China Wise International Limited (<i>Note</i>)	412,000,000	8.34%

Note: 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. Bank of China Group Investment Limited is a wholly-owned subsidiary of Bank of China Limited, which in turn is a subsidiary of Central SAFE Investments Limited. By virtue of the SFO, Central SAFE Investments Limited, Bank of China Limited, Bank of China Group Investment Limited and Cultural Developments Limited are all deemed to be interested in the 412,000,000 Shares held by China Wise International Limited.

Save as disclosed above, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

4. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse change in the financial position or trading prospects of the Group since 31 December 2005, the date to which the latest audited financial statements of the Group were made up.

5. 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.

6. COMPETING INTERESTS

Xing Kong Chuan Mei Group Co., Ltd., 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 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 Xing Kong Chuan Mei Group Co., Ltd., owns and operates multimedia digital platforms, including satellite television, in the Asia Pacific region and engages in programme licensing and advertising agency business throughout the world, including China. STAR Group Limited and its subsidiaries (including Xing Kong Chuan Mei Group Co., Ltd.) 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 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 Asia Television Limited ("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 as at 31 March 2006. He also owns 80% of Dragon Goodwill International Limited, which completed its acquisition of 32.75% interests in ATV on 25 July 2003. ATV is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audiences 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 received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong. ATV is also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license.

Save as disclosed above, none of the Directors or the substantial shareholders of the Company (as defined under the GEM Listing Rules) has any interests in a business which competes or may compete with the business of the Group.

7. EXPERT

Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s) and/or references to its name in the form and context in which they respectively appear.

Guangdong Securities is a licensed corporation under the SFO to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities.

As at the Latest Practicable Date, Guangdong Securities 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.

Guangdong Securities 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 31 December 2005, the date to which the latest published audited financial statements were made up.

8. RIGHT TO DEMAND A POLL

Articles 66, 66A and 67 of the articles of association of the Company set out the procedure by which shareholders may demand a poll:

A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Notwithstanding any other provisions in these Articles, if the Chairman of a particular meeting and/or the Directors individually or collectively hold proxies in respect of shares holding five (5) per cent or more of the total voting rights at that meeting, and if on a show of hands in respect of any resolution, the meeting votes in the opposite manner to that instructed in those proxies, the Chairman of the meeting and/or any Director holding proxies as aforesaid shall demand a poll, unless it is apparent from the total proxies held by those persons that a vote taken on a poll will not reverse the vote taken on a show of hands. If a poll is required under such circumstances, the Chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by Directors indicating an opposite vote to the votes cast at the meeting on a show of hands.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

9. MISCELLANEOUS

- (a) 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.
- (b) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.
- (c) The head office and principal place of business of the Company is at 9th Floor, One Harbourfront, 18 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) 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.
- (f) 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. He is also a member of the Hong Kong Institute of Certified Public Accountants.

- (g) The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the board of Directors. The audit committee will meet at least four times a year to review with management the accounting principles 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 three independent non-executive Directors, namely Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK (chairman of the audit committee). Further details of each member of the audit committee are set out below.

Mr. LAU Yu Leung, John, aged 43, appointed on 5 June 2000, holds the position of chief financial officer and executive vice president, Business Development of STAR. Mr LAU has overall responsibility for all financial matters of STAR, including corporate strategy, management and financial reporting, internal audit, treasury and tax. In addition, he heads the business development division, identifying and developing growth opportunities for the company. Prior to joining STAR, Mr LAU was the chief financial officer of San Miguel Brewing International Ltd, responsible for the company's financial operations throughout Asia Pacific. Before this role, Mr LAU also held senior financial positions at GE Information Services, Philip Morris Asia Inc and Deloitte & Touche in Los Angeles, USA. Mr LAU graduated from Brigham Young University in Utah in August 1988, with a Master's degree in Accountancy and Information Systems and a Bachelor of Science degree in Accounting. He is a member of the California Institute of Certified Public Accountants.

Dr. LO Ka Shui, aged 59, appointed on 5 June 2000, is the deputy chairman and managing director of Great Eagle Holdings Limited. He is a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited and China Mobile (Hong Kong) Limited. He is also a director of Hong Kong Exchanges and Clearing Limited (also a past chairman of the listing committees of the Main Board and Growth Enterprise Market), a vice president of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research and a member of the Airport Authority, and a past chairman of the Hospital Authority. He graduated with a Bachelor of Science degree from McGill University and M.D. from Cornell University. He is certified in Cardiology. He has more than 25 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. LEUNG Hok Lim, aged 71, appointed on 21 January 2005, is a fellow member of CPA Australia, a member of the Macau Society of Certified Practising Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the taxation institute of Hong Kong. Mr. LEUNG is the founding and senior partner of PKF, Certified Public Accountants. Mr. LEUNG obtained his fellowship with Institute of Certified Public Accountants in 1973. He is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited. Mr. LEUNG is the independent non-executive director of a number of listed companies namely Yangtzekiang Garment Manufacturing Company Limited, YGM Trading Limited, S E A Holdings Limited, Bright International Group Limited, Fujian Holdings Limited and High Fashion International Limited.

Mr. Thaddeus Thomas BECZAK, aged 55, is the independent non-executive director and a member of the audit committee of the Company since 11 March 2005. Mr. Beczak is currently a senior advisor to Nomura International (Hong Kong) Ltd. and an independent non-executive director of a number of listed companies namely Arnhold Holdings Limited and Namtai Electronic and Electrical Products Limited. He is also the non-executive chairman of Lahtide Capital. From September 1997 until December 2003, Mr. Beczak was a director of Kerry Holdings Limited. During this time he also held various board and operating positions within the group. Most recently, he was deputy chairman of SCMP Holdings Limited and publisher of South China Morning Post Publishers Limited. Previously, he had been deputy chairman of Shangri-La Asia Limited, deputy chairman of Kuok Philippines Properties, a director of China World Trade Center Limited and a director of Kerry Properties Limited.

- (h) The English text of this circular will prevail over the Chinese text.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during the normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including 18 August 2006:

- (1) the service agreements referred to in the section headed "Interests in service contracts" in this Appendix;
- (2) the New Star Services Agreement;
- (3) the STAR Movies Agreement;
- (4) the letter from Guangdong Securities to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions as set out on pages 18 to 29 of this circular;
- (5) the written consent from Guangdong Securities as referred to in the paragraph headed "Expert" above; and
- (6) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 17 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)

(Stock Code: 8002)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Phoenix Satellite Television Holdings Limited (the “Company”) will be held at 9/F., One Harbourfront, 18-22 Tak Fung Street, Hunghom, Kowloon, Hong Kong on 18 August 2006 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 21 July 2006 (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 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 review the transactions contemplated in the STAR Movies Agreement (as defined in the Circular), consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

“**THAT** the proposed annual caps for the STAR Movies Agreement (as defined 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.”

3. the Directors be and are hereby authorized to take all steps necessary or expedient to implement and/or give effect to the Renewal of Continuing Connected Transactions (as defined in the Circular).

By Order of the Board
Yeung Ka Keung
Company Secretary

Hong Kong, 21 July 2006

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) The register of shareholders of the Company will be closed from 14 August 2006 (Monday) to 18 August 2006 (Friday) (both days inclusive), during which no transfer of shares of the Company will be effected. The holders of Shares whose names appear on the register of shareholders of the Company at 4:00p.m. on 11 August 2006 (Friday) will be entitled to attend and vote at the extraordinary general meeting.
- (2) A member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint in written form one or more proxies to attend and vote at the extraordinary general meeting on his behalf. A proxy need not be a member of the Company but must attend the meeting in person.
- (3) In order to be valid, a 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, must be lodged with the branch share registrar of the Company, Hong Kong Registrars Limited at Hopewell Centre, 46th Floor, 183 Queen's Road East, Wan Chai, 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.