

**PHOENIX SATELLITE TELEVISION HOLDINGS LTD :
THIS IS THE BEST LISTING ON THE GEM, TO DATE**

Assuming that there will be no world war in the immediate future, Phoenix Satellite Television Holdings Ltd (Code: 8002), one of the latest crop of new listings, has to be a winner in the next 5 years.

Phoenix Satellite has, just about, everything going for it: The right pedigree; a powerful international media organisation; and, probably, most important, it has an organ of the Government of the People's Republic of China (PRC) behind it.

Phoenix Satellite is seeking a listing in The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

It describes itself as being '*the leading foreign satellite television operator broadcasting into China, which is the largest television market in the world with approximately 305 million television households* .' (Page One of the Prospectus)

The mention of 305 million television households does not include, of course, what must be a growth of not less than 10 percent per annum of the number of television sets, sold in the country. This is equal to about 30.50 million television sets, being purchased in the PRC, annually.

And, in a country which is the size of the PRC, not everybody purchases a television set to be a fixed piece of furniture in a house: Many people purchase portable television sets so that they can keep up with the news of the day.

In addition, in a few years, the portable television set is likely to be able to communicate with one's computer, lying in one's office or in one's home.

As the PRC becomes more affluent, with its population, having more disposable income, one can expect a veritable explosion in the growth of sales of television sets in the world's most populous country, numbering some 1.30 billion people.

According to a survey, carried out by China Mainland Marketing Research Company, a survey which was commissioned by Phoenix Satellite, as at September 1999, about 42 million households in the PRC, representing about 13 percent of the total population of Chinese households, owning television sets, '*were able to receive and view the Phoenix Chinese Channel*'.

That, by itself, is impressive since it could easily be translated into tens of millions of dollars' worth of advertising.

It is not every company that can make claim to reaching 42 million people at a pop.

And that is just for starters.

The principal activities of Phoenix Satellite comprise acquiring and producing Chinese language television programmes and broadcasting them in the Asian Pacific Region, with the PRC, being the major target of the Company.

The Float

Phoenix Satellite is offering, totally, 727,060,000, 10-cent shares in this flotation, with 654,354,000 shares, being placed with various parties, and 72,706,000 shares, being offered to the public.

The Offer Price, in both cases, is to be not more than \$HK1.29 per share, a premium of about \$HK1.19 over the Par Value of the shares.

The range of the Offer Price, depending on the number of valid applications for shares, received by the Underwriters, will be between 91 cents and \$HK1.29.

This float is being underwritten by 19 different parties: The biggest names in merchant banking in the world.

And the Placing Underwriters and the Public Offer Underwriters have squeezed a 5-percent commission from Phoenix Satellite.

(This must be a record commission, paid to underwriters in a new flotation in the past decade).

The reason for this cash-raising exercise, amounting to not less than \$HK739 million, is given as follows:

1. \$HK260 million to be used '*for the enhancement of the programme production capability ... including the establishment of a production centre in Shenzhen, PRC*';
2. \$HK185 million to be used '*for the development of new channels, including the North America Channel, the InfoNews Channel and the Cantonese Channel*';
3. \$HK148 million '*for the development of www.phoenixtv.com web page into an "infotainment" vertical Chinese portal*';
4. \$HK109 million to be used to make '*strategic investments and additional general working capital*'; and,
5. \$HK37 million to be used '*for the development of the Group's magazine, Phoenix Weekly, to be distributed in the PRC.*'

The above usage of \$HK739 million is based on the assumption that the Offer Price will be \$HK1.10 per share.

In the event that the Offer Price goes to the top of the range, \$HK1.29 per share, the additional \$HK114 million is earmarked for use to pick up some more investments and boost the General Working Capital Account.

This Company first saw life in February 1996, but it has yet to make a cracker in profits, as the following 42-month summary indicates:

	Year ended June 30			
	1997	1998	1999	Six Months to December 31, 1999
	<i>(All Figures are Denominated in \$HK'000)</i>			
Revenue:				
Phoenix Chinese Channel	119,536	174,805	301,064	218,512
Phoenix Movies Channel	<u>Nil</u>	<u>Nil</u>	<u>13,509</u>	<u>9,405</u>
Totals	<u>119,536</u>	<u>174,805</u>	<u>314,663</u>	<u>227,917</u>
Operating Expenses:				
Programming Costs	(100,073)	(85,545)	(122,335)	(72,459)
Commissions	(26,949)	(31,733)	(60,545)	(41,750)
Staffing Costs	(45,841)	(55,672)	(66,372)	(34,757)
Transponder Charges	<u>(16,228)</u>	<u>(17,803)</u>	<u>(21,128)</u>	<u>(10,593)</u>

Totals	(189,091)	(190,753)	(270,380)	159,559
Selling, General and Administrative Expenses	(92,123)	(117,415)	(132,264)	(72,016)
Loss from Operations	(161,678)	(133,363)	(87,981)	(3,658)
Other Income	6,142	2,258	9,515	1,750
Net Loss	(155,536)	(131,105)	(78,466)	(1,908)

For the Current Financial Year, ending June 30, 2000, Phoenix Satellite is forecasting that the Net Profit Attributable to Shareholders '*will not be less than HK\$27 million*'.

The Right Pedigree

This Company has some of the biggest names behind it; some of the biggest in the world, in fact.

The 3 biggest shareholders are: Star Television Holdings Ltd; Today's Asia Ltd; and, China Wise International Ltd.

Star Television is a wholly owned subsidiary of News Corporation ... [CLICK TO ORDER FULL ARTICLE](#)

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel to e-mail your views to targnews@hkstar.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.