鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED
鳳 凰 衛 視 控 股 有 限 公 司

THIRD QUARTERLY RESULT
For the nine months ended 31 March 2003

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (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.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

The directors of Phoenix Satellite Television Holdings Limited (the "Directors") collectively and individually accept full responsibility for this announcement which includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Phoenix Satellite Television Holdings Limited. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the information contained in the announcement are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this announcement have been arrived at after due and careful consideration on the bases and assumptions that are fair and reasonable.

SUMMARY

- The Group has maintained a stable performance, with revenue increasing 6.2% over the corresponding nine-month period last year, despite the depressed global economic environment.

- Operating costs continued to decrease, by approximately 2.5%, with the operating loss dropping by 37.9% against the same period last year.

- Loss attributable to shareholders for the nine-month period was approximately HK$59,101,000, which represented a decrease of 49.4% compared with the same period last year.

- Phoenix's highly acclaimed coverage of the Iraq war reinforced its position as one of the premier news providers in the Chinese-speaking community.

- Phoenix also placed great emphasis on promoting the InfoNews Channel, which received landing rights on the mainland at the end of 2002.

CHAIRMAN'S STATEMENT

Financial Review

Revenue of the Phoenix Group for the nine months ended 31 March 2003 was approximately HK$524,334,000 which represented an increase of 6.2% over the same period last year.

An improvement in revenue of 5.1% was also reflected in a comparison of the three months ended 31 March 2003 against the same three-month period in the previous financial year. This growth in income was largely driven by a substantial increase in subscription revenue.

But while overall revenue grew, advertising revenue dropped slightly for the three months ended 31 March 2003 compared with the same period last year, at least in part due to Phoenix's decision to exercise tighter credit control of the advertising clients, in particular, strict compliance with the policy of "payment before broadcast". The Phoenix management has no doubt that this approach lays the foundation for a more sound long-term financial position. The worldwide economic climate, which was depressed by concerns over the war in Iraq and the sluggish US economy, might have also contributed to a drop in advertising revenue.

Operating costs decreased marginally by 2.5% to approximately HK$599,717,000 when compared to the corresponding nine-month period last year. This, together with the increase in revenue as explained above, lead to a 37.9% decrease in Phoenix's operating losses. Loss attributable to shareholders was approximately HK$59,101,000, which represented a 49.4% decrease as compared with the same period last year.

The results of the Group for the nine months ended 31 March 2003 and 2002 are summarized below:

	Nine months ended 31 March	
	2003	2002
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**453,235**	447,843
Phoenix InfoNews Channel	**11,153**	9,834
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**43,333**	24,156
Other businesses	**16,613**	11,806
Group's Total Revenue	**524,334**	493,639
Operating costs	**(599,717)**	(615,047)
Operating Loss	**(75,383)**	(121,408)
Loss attributable to shareholders	**(59,101)**	(116,694)
Loss per share, Hong Kong cents	**(1.20)**	(2.37)

Phoenix's results during this quarter were similar to the last two quarters, with some minor variations.

The table below shows the operating results of our businesses for this quarter and the same period last year:

	Three months ended 31 March	
	2003	2002
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**40,715**	45,649
Phoenix InfoNews Channel	**(29,954)**	(37,515)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(8,841)**	(21,777)
Other businesses	**(3,900)**	(4,421)
Corporate overheads	**(23,400)**	(24,992)
Loss from operations	**(25,380)**	(43,056)

Phoenix Chinese Channel contributed approximately 83.9% of the Group's total revenue for the 3 months ended 31 March 2003. Despite its revenue having dropped by 2.1% compared with the same period last year, its performance was satisfactory in view of the overall downturn of the global advertising markets.

Performance of the Phoenix InfoNews Channel improved marginally mainly due to the savings in operating costs. During this quarter, being the first quarter after InfoNews obtained landing rights in China, Phoenix placed great emphasis on expanding the channel's viewership on the mainland. In this respect, Phoenix has been providing technical assistance to facilitate the reception of the channel in various major cities in China. In addition, Phoenix's advertising sales agents have been instructed to prioritise the promotion of airtime for Phoenix InfoNews Channel and to target new clients different from those who advertise on Phoenix Chinese Channel in order to avoid competition.

Phoenix Chinese News and Entertainment Channel showed steady performance in revenue and a marginal increase in operating costs due to the extension of broadcasting hours. There was satisfactory growth in the subscription revenue of Phoenix Movies and Phoenix North America Chinese channels, which contributed positively to Phoenix's overall performance.

Results for other businesses remained relatively stable, whilst the reduction in the operating loss of the magazine business was offset by the overheads of the operations of the Shenzhen production center.

BUSINESS REVIEW

During the first three months of 2003, Phoenix has placed a major emphasis on promoting the Phoenix InfoNews Channel on the mainland in order to extract the maximum benefit from the decision by the Chinese authorities at the end of 2002 to grant landing rights to InfoNews. While the effect of this campaign has yet to be reflected in the research data produced by ratings agencies, our in-house assessment is that the take-up rate has been impressive, and we expect that surveys conducted over the coming months will reveal a major improvement in the reception of InfoNews. This in turn will provide the commercial basis for InfoNews to attract considerable advertising revenue, and thus enhance the Group's overall financial situation.

Phoenix programming during this quarter was reconfigured as a consequence of the conflict in Iraq, and both the Chinese and InfoNews channels devoted a significant effort to reporting on the course of the war. Phoenix introduced a suite of new programmes designed to provide real-time coverage of the war, such as *Gulf War Report* and *Gulf War Alert.* Regular Phoenix news services also frequently took live feeds from reporters in the field. Phoenix was the first Chinese-language media organisation to have a reporter and cameraman in Baghdad after the commencement of the bombing of the Iraqi capital. Its live coverage of the war ran for more than 500 hours and was longer than that of any comparable broadcasters.

Phoenix also covered the conflict from other vantage points as well: besides reporting from the Pentagon, White House and State Department in Washington and the United Nations in New York, Phoenix had a reporter accredited to the Allied Central Command in Qatar, and had reporters embedded with a US military unit in Kuwait and on a US aircraft carrier. Phoenix representatives in London, Moscow, Sydney and Paris provided reporting on how the war was seen in those countries which in various ways were closely involved in the conflict.

Besides delivering up-to-the minute coverage of events in the Gulf, both the Chinese and InfoNews channels featured a series of discussion programmes with military and international affairs experts on the events leading up to the war and the conflict itself. According to the statistics currently available, Phoenix's coverage of the war had a significant impact on its audience size. The war coverage also enabled InfoNews to begin to build an advertising clientele.

PROSPECTS

While the global economy is still recovering from the negative impact of the Iraq war, the outbreak of SARS in Hong Kong and a number of major mainland cities have further complicated the process of economic recovery in Asia. It is difficult, however, to assess how the Iraq war and SARS and related factors will affect the Group's performance. Phoenix's highly acclaimed coverage of the Iraq war has reinforced Phoenix's position as one of the premier news providers in the Chinese-speaking community. This is especially important in the development of the financial viability of InfoNews.

Furthermore, one consequence of SARS is that many people have stayed home and watched television where many forms of public entertainment and activity have been closed. It is therefore possible that advertisers will exploit this situation as an opportunity to promote their products on television during a period when viewership is expected to be unusually high. Phoenix has continued to provide a steady stream of entertainment, news and current affairs programmes designed to cater to the Chinese market, and is thus well placed to benefit from any increase in demand for television advertising. Phoenix has also featured a daily programme reporting on SARS and this underscores its capacity to benefit from the public demand for information about the progress of the disease.

While the management finds it difficult to assess what will be the impact of the Iraq war and SARS on Phoenix's performance over the coming months, it considers that such impact will be short term in character and is optimistic that Phoenix will perform well over the longer term. The Phoenix management is confident in this assessment because the Chinese economy, which represents the Group's major market, is continuing to record very high growth rates and is likely to provide an even more dynamic business environment as the global economy also begins to recover.

The Directors of Phoenix Satellite Television Holdings Limited (the "Company") have the pleasure of presenting the unaudited consolidated profit and loss account, condensed consolidated cash flow statement and consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the "Phoenix Group" or the "Group") for the three months and nine months ended 31 March 2003 (the "period") together with the comparative figures for the corresponding period and relevant date in 2002, and the unaudited consolidated balance sheet of the Phoenix Group as at 31 March 2003, together with the comparative figures as at 30 June 2002.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2003, the interests of the Directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

(1) Ordinary shares

Name	Type of interest	Number of ordinary shares
LIU, Changle*	Corporate interests	1,854,000,000

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 is interested in approximately 37.6% of the issued share capital of the Company as at 31 March 2003.

(2) Share options

As at 31 March 2003, the Company had granted the following share options under the Pre-IPO Share Option Scheme to the Directors of the Company to subscribe for ordinary shares of the Company.

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

* *Being the Executive Directors of the Company.*

Save as disclosed herein, as at 31 March 2003, none of the Directors or chief executives of the Company, had any personal, corporate or other interests in the share capital of the Company or its associated corporations as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

(A) Share Option Scheme of the Company

On 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company ("Shareholders"), namely Pre-IPO Share Option Scheme and Share Option Scheme. In order to enhance the flexibility in the implementation of the Pre-IPO Share Option Scheme and the Share Option Scheme, the committee of four Directors established for the administration of the share option schemes (the "Committee") approved certain amendments to the terms of the Pre-IPO Share Option Scheme on 14 February 2001 and the Share Option Scheme on 14 February 2001 and 6 August 2002 respectively. Such amendments have been pre-approved by the Stock Exchange.

(1) Pre-IPO Share Option Scheme

The details of share options granted by the Company under the Pre-IPO Share Option Scheme to the Directors of the Company and the employees of the Phoenix Group to acquire shares were as follows:

				Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise price per share *HK$*	Balance as at 1 July 2002	Lapsed during the period	Exercised during the period	Balance as at 31 March 2003
2 Executive Directors:							
LIU, Changle	14 June 2000	14 June 2001 to 13 June 2010	1.08	5,320,000	–	–	5,320,000
CHUI, Keung	14 June 2000	14 June 2001 to 13 June 2010	1.08	3,990,000	–	–	3,990,000
109 other employees	14 June 2000	14 June 2001 to 13 June 2010	1.08	43,714,000	(6,218,000)	–	37,496,000
Total: 111 employees				53,024,000	(6,218,000)	–	46,806,000

During the period from 1 July 2002 to 31 March 2003, 6,218,000 options granted to 9 employees lapsed when they ceased their employment with the Phoenix Group. Save as disclosed above, no option has been exercised, cancelled or lapsed during the period.

No option has been granted to the Non-Executive Directors and Independent Non-Executive Directors under the Pre-IPO Share Option Scheme.

(2) Share Option Scheme

The details of share options granted by the Company under the Share Option Scheme to the employees of the Phoenix Group to acquire shares were as follows:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise price per share *HK$*	Number of share options: Balance as at 1 July 2002	Granted during the period	Lapsed during the period	Exercised during the period	Balance as at 31 March 2003
2 employees	15 February 2001	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	–	1,700,000
18 employees	10 August 2001	10 August 2002 to 9 August 2011	1.13	12,860,000	–	(700,000)	–	12,160,000
6 employees	20 December 2002	20 December 2003 to 19 December 2012	0.79	–	2,866,000	–	–	2,866,000
Total: 26 employees				14,560,000	2,866,000	(700,000)	–	16,726,000

During the period from 1 July 2002 to 31 March 2003, 700,000 options granted to 2 employees lapsed. Save as stated above, no option has been exercised, cancelled or lapsed during the period. 2,866,000 options were granted to 6 employees on 20 December 2002. The closing price of the shares of the Company immediately before the date on which the options were granted is HK$0.79.

Save as disclosed above, no option has been granted to the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors under the Share Option Scheme.

(B) Share option scheme of a subsidiary of the Company

PHOENIXi PLAN

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Phoenix Group adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan"). Under the PHOENIXi Plan, the employees of PHOENIXi, including any Executive Directors, in the full-time employment of PHOENIXi or its subsidiaries or the Company are eligible to take up options to subscribe for shares in PHOENIXi. The summary of the terms of the PHOENIXi Plan are set out in the section headed "Share Option Schemes" of the Annual Report for the year ended 30 June 2002.

As at 31 March 2003, no option was granted under the PHOENIXi Plan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option schemes approved by the Shareholders on 7 June 2000, the Committee may, at their discretion, invite any employee of the Company or any of the Phoenix Group companies, including any Executive Directors, to take up options to subscribe for shares. The maximum number of shares in respect of which options may be granted under the share option schemes may not exceed 10% of the issued share capital of the Company. The terms of the Share Option Scheme were amended on 14 February 2001 and 6 August 2002 respectively, and a summary of the amended Share Option Scheme is set out in the Appendix of the Annual Report for the year ended 30 June 2002.

Save as disclosed herein, and other than those in connection with the Phoenix Group reorganisation scheme prior to the Company's listing of shares, at no time during the period was the Company or any of the companies comprising the Phoenix Group a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Phoenix Group's business to which the Company or any of the companies comprising the Phoenix Group was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the Company's issued share capital:

Name of shareholders	**Number of ordinary shares**
STAR Television Holdings Limited* *(Note 1)*	1,854,000,000
Today's Asia Limited *(Note 2)*	1,854,000,000

Notes:

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

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

2. Today's Asia Limited is beneficially owned by Mr. LIU, Changle and Mr. CHAN, Wing Kee as to 93.3% and 6.7% interests, respectively.

* STAR Television Holdings Limited changed its name to Xing Kong Chuan Mei Group Co., Ltd. on 10 April 2003.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the Company's Articles of Association and the law in the Cayman Islands in relation to the issue of new shares by the Company.

PURCHASE, SALE OR REPURCHASE OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Company's shares during the period.

SPONSORS' INTERESTS

As at 30 June 2002, BOCI Asia Limited and Merrill Lynch Far East Limited ceased to be the sponsors of the Company upon expiration of the terms of contract after two years of service. The Company had no sponsors as at and for the period from 1 July 2002 to 31 March 2003. Accordingly, no additional disclosure is made.

COMPETING INTERESTS

Today's Asia Limited, STAR Television Holdings Limited and China Wise International Limited have interest in approximately 37.6%, 37.6% and 8.4% of the share capital of the Company respectively. Today's Asia Limited, together with its shareholders, Mr. LIU, Changle and Mr. CHAN, Wing Kee, STAR Television Holdings Limited* and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

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

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

Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in Asia Television Limited, 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 Asia Television Limited. Asia Television Limited is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audience in Hong Kong, Asia Television Limited 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. Asia Television Limited announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong.

ADVANCES TO AN ENTITY

Please refer to Note 8 to the quarterly report for the details of the relevant advance to an entity from the Group which exceeds 25% of the Group's net tangible assets.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee has met regularly to review with management the accounting principles and practices adopted by the Phoenix Group and to discuss auditing, internal control and financial reporting matters (including this unaudited quarterly report before recommending them to the Board of Directors for approval). The audit committee comprises one Non-Executive Director, namely Mr. LAU, Yu Leung John and two Independent Non-Executive Directors, namely Dr. LO, Ka Shui and Mr. KUOK, Khoon Ean.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in 5.28 to 5.39 of the GEM Listing Rules at any time during the nine months ended 31 March 2003.

On behalf of the Board
LIU, Changle
Chairman

Hong Kong, 7 May 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2003

	Note	For the three months ended 31 March		For the nine months ended 31 March	
		2003	2002	**2003**	2002
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE	2	**173,404**	165,022	**524,334**	493,639
OPERATING EXPENSES	11	**(163,818)**	(175,593)	**(497,929)**	(517,351)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	11	**(34,966)**	(32,485)	**(101,788)**	(97,696)
LOSS FROM OPERATIONS		**(25,380)**	(43,056)	**(75,383)**	(121,408)
OTHER INCOME (EXPENSES)					
Amortisation of goodwill		**–**	(1,050)	**–**	(1,435)
Exchange gain, net		**678**	459	**1,802**	340
Interest income, net		**1,076**	3,296	**4,558**	11,612
Other income, net		**3,007**	1,516	**10,785**	3,023
LOSS BEFORE TAXATION AND MINORITY INTERESTS		**(20,619)**	(38,835)	**(58,238)**	(107,868)
TAXATION	3	**(854)**	(2,186)	**(2,713)**	(6,623)
LOSS BEFORE MINORITY INTERESTS		**(21,473)**	(41,021)	**(60,951)**	(114,491)
MINORITY INTERESTS		**664**	718	**1,850**	(2,203)
LOSS ATTRIBUTABLE TO SHAREHOLDERS		**(20,809)**	(40,303)	**(59,101)**	(116,694)
ACCUMULATED DEFICIT, beginning of period		**(539,786)**	(378,169)	**(501,494)**	(301,778)
		(560,595)	(418,472)	**(560,595)**	(418,472)
DIVIDENDS	4	**–**	–	**–**	–
ACCUMULATED DEFICIT, end of period		**(560,595)**	(418,472)	**(560,595)**	(418,472)
BASIC LOSS PER SHARE, Hong Kong cents	5	**(0.42)**	(0.82)	**(1.20)**	(2.37)
DILUTED LOSS PER SHARE, Hong Kong cents	5	**N/A**	N/A	**N/A**	N/A

CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 31 MARCH 2003

	Note	**As at 31 March 2003** *HK$'000*	As at 30 June 2002 *HK$'000* (Audited)
Non-current assets			
Fixed assets, net		**75,409**	83,799
Purchased programme and film rights	6	**27,616**	28,276
Land deposit	7	**29,177**	29,177
Other non-current assets		**1,633**	–
		133,835	141,252
Current assets			
Cash and bank balances		**436,238**	451,327
Accounts receivable, net		**49,159**	115,713
Inventories		**11,981**	1,513
Prepayments, deposits and other receivables	8	**281,450**	242,024
Amounts due from related companies	11	**227**	127
Self-produced programmes		**23,074**	27,355
Purchased programme and film rights, current portion	6	**15,414**	14,308
		817,543	852,367
Current liabilities			
Accounts payable, other payables and accruals		**(86,783)**	(104,534)
Deferred income		**(9,176)**	(12,576)
Advertising revenue received in advance		**(64,796)**	(16,558)
Amounts due to related companies	11	**(21,193)**	(28,741)
Profits tax payable		**(3,628)**	(4,458)
		(185,576)	(166,867)
Net current assets		**631,967**	685,500
Total assets less current liabilities		**765,802**	826,752
Non-current liability			
Deferred taxation		**(252)**	(252)
Minority interests		**(8,133)**	(9,982)
		757,417	816,518
Capital and reserves			
Share capital	9	**493,173**	493,173
Reserves		**264,244**	323,345
Total shareholders' equity		**757,417**	816,518

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE NINE MONTHS ENDED 31 MARCH 2003

	For the nine months ended 31 March 2003	For the nine months ended 31 March 2002
	HK$'000	*HK$'000*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(5,148)**	(139,313)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(9,933)**	(17,437)
NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES	**(8)**	1,579
DECREASE IN CASH AND BANK BALANCES	**(15,089)**	(155,171)
CASH AND BANK BALANCES, beginning of period	**451,327**	664,624
CASH AND BANK BALANCES, end of period	**436,238**	509,453

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE NINE MONTHS ENDED 31 MARCH 2003

	Share capital *HK$'000*	**Share premium** *HK$'000*	**Accumulated deficit** *HK$'000*	**Total** *HK$'000*
As at 1 July 2001	493,159	824,704	(301,778)	1,016,085
Loss attributable to shareholders	–	–	(116,694)	(116,694)
Exercise of share options	14	135	–	149
As at 31 March 2002	493,173	824,839	(418,472)	899,540
As at 1 July 2002	**493,173**	**824,839**	**(501,494)**	**816,518**
Loss attributable to shareholders	**–**	**–**	**(59,101)**	**(59,101)**
As at 31 March 2003	**493,173**	**824,839**	**(560,595)**	**757,417**

NOTES TO THE QUARTERLY REPORT – UNAUDITED

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited quarterly report is prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 (revised), Interim financial reporting, issued by the Hong Kong Society of Accountants ("HKSA").

This quarterly report should be read in conjunction with the 2001/2002 annual accounts.

The accounting policies and method of computation used in the preparation of this quarterly report are consistent with those used in the annual accounts for the year ended 30 June 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34 (revised)	:	Employee benefits

The adoption of these new or revised SSAPs did not have a material impact on the Group's results except for the reclassification of the condensed consolidated cash flow statement into operating, investing and financing activities and the presentation of consolidated statement of changes in equity.

2. SEGMENTAL INFORMATION

The Group is organised into four main business segments including:

(i) Television broadcasting – broadcasting of television programmes and commercials;

(ii) Programme production and ancillary services;

(iii) Internet services – provision of website portal; and

(iv) Other activities – merchandising services, magazine publication and distribution, and other related services.

An analysis of the Group's revenue and operating results for the period by business segments (primary reporting segment) is as follows:

For the three months ended 31 March:

	Television broadcasting		Programme production and ancillary services		Internet services		Other activities		Inter-segment elimination		Group	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue												
External sales	**167,641**	160,667	**707**	28	**318**	302	**4,738**	4,025	**-**	–	**173,404**	165,022
Inter-segment sales	**-**	–	**4,014**	2,782	**-**	–	**-**	–	**(4,014)**	(2,782)	**-**	–
Total revenue	**167,641**	160,667	**4,721**	2,810	**318**	302	**4,738**	4,025	**(4,014)**	(2,782)	**173,404**	165,022
Segment results	**5,329**	(14,006)	**(1,043)**	(1,161)	**(2,576)**	(2,775)	**(257)**	(973)	**-**	–	**1,453**	(18,915)
Unallocated expenses *(Note i)*											**(22,072)**	(19,920)
Loss before taxation and minority interests											**(20,619)**	(38,835)
Taxation											**(854)**	(2,186)
Loss before minority interests											**(21,473)**	(41,021)
Minority interests											**664**	718
Loss attributable to shareholders											**(20,809)**	(40,303)

For the nine months ended 31 March:

	Television broadcasting		Programme production and ancillary services		Internet services		Other activities		Inter-segment elimination		Group	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue												
External sales	**507,722**	481,832	**931**	1,020	**929**	935	**14,752**	9,852	**-**	–	**524,334**	493,639
Inter-segment sales	**-**	–	**8,057**	12,932	**-**	–	**-**	–	**(8,057)**	(12,932)	**-**	–
Total revenue	**507,722**	481,832	**8,988**	13,952	**929**	935	**14,752**	9,852	**(8,057)**	(12,932)	**524,334**	493,639
Segment results	**17,427**	(25,577)	**(2,361)**	(2,572)	**(6,791)**	(8,430)	**(1,149)**	(3,671)	**-**	–	**7,126**	(40,250)
Unallocated expenses *(Note i)*											**(65,364)**	(67,618)
Loss before taxation and minority interests											**(58,238)**	(107,868)
Taxation											**(2,713)**	(6,623)
Loss before minority interests											**(60,951)**	(114,491)
Minority interests											**1,850**	(2,203)
Loss attributable to shareholders											**(59,101)**	(116,694)

(i) Unallocated expenses represent primarily:

– corporate staff costs;

– office rental;

– general administrative expenses; and

– marketing and advertising expenses that relate to the Phoenix Group as a whole.

3. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2002 – 16%) on the estimated assessable profit arising in or derived from Hong Kong. Overseas taxation has been calculated on the estimated assessable profit for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the consolidated profit and loss account represents:

	Three months ended 31 March		**Nine months ended 31 March**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current taxation				
– Hong Kong profits tax	**854**	2,183	**2,664**	6,591
– Overseas tax	**–**	3	**49**	32
	854	2,186	**2,713**	6,623

As at 31 March 2003, certain subsidiaries of the Phoenix Group had estimated cumulative tax losses for Hong Kong profits tax purposes which, subject to the agreement of the Inland Revenue Department, can be carried forward indefinitely to offset future taxable profits. The potential deferred tax asset has not been recognised in the unaudited financial statements of the Phoenix Group.

4. INTERIM DIVIDENDS

The Board did not recommend the payment of an interim dividend for the three months and nine months ended 31 March 2003 (2002 – nil).

5. LOSS PER SHARE

Loss per share for the three months ended 31 March 2003 is calculated based on unaudited consolidated loss attributable to shareholders for the three months ended 31 March 2003 of HK$20,809,421 (three months ended 31 March 2002 – HK$40,303,376) and the 4,931,730,000 (2002 – 4,931,730,000) weighted average number of ordinary shares outstanding during the three months ended 31 March 2003.

Loss per share for the nine months ended 31 March 2003 is calculated based on unaudited consolidated loss attributable to shareholders for the nine months ended 31 March 2003 of HK$59,101,250 (nine months ended 31 March 2002 – HK$116,694,722) and the 4,931,730,000 (2002 – 4,931,702,102) weighted average number of ordinary shares outstanding during the nine months ended 31 March 2003.

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would have anti-dilutive effect on loss per share during the three months and nine months ended 31 March 2003 and 2002 respectively.

6. PURCHASED PROGRAMME AND FILM RIGHTS

	Nine months ended 31 March 2003	Twelve months ended 30 June 2002
	HK$'000	*HK$'000* (Audited)
Balance, beginning of period/year	**42,584**	47,160
Additions	**35,261**	41,203
Disposals	**(1,074)**	(3,233)
Amortisation	**(33,741)**	(42,546)
Balance, end of period/year	**43,030**	42,584
Less: Purchased programme and film rights – current portion	**(15,414)**	(14,308)
	27,616	28,276

7. LAND DEPOSIT

On 11th June 2001, a subsidiary of the Company entered into an agreement with 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau) to acquire a land use right on a parcel of land situated in Shenzhen, the People's Republic of China (the "PRC") for the development of a building for the Phoenix Group. The total consideration for the acquisition is approximately HK$57,354,000. Pursuant to the payment terms of the agreement, an amount of approximately HK$29,177,000 has been paid to 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau) as the first instalment. A final payment of approximately HK$28,177,000 (see Note 10b) is to be paid no later than 13 June 2003. The land use right will be granted to the Phoenix Group only upon full and final payment.

8. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK$255,947,000 (as at 30 June 2002 – HK$208,567,000) owing from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou") in the PRC. The amount represents advertising revenue collected by Shenzhou on behalf of the Group. The balance is unsecured, bears interests at prevailing bank interest rate and has no fixed repayment terms. Please refer to the announcement made by the Company on 25 September 2002 for details of the commercial and trust arrangements with Shenzhou.

The Trust Law in the PRC is relatively new and detailed implementation rules are not yet available, therefore the extent of the enforceability of the trust arrangement with Shenzhou is unclear at present. Although the management recognised that the present arrangement is the only legally viable arrangement, the management will continue to monitor and explore alternatives to improve the situation.

9. SHARE CAPITAL

	Nine months ended 31 March 2003		Twelve months ended 30 June 2002	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		*HK$'000*
				(Audited)
Authorised:				
Ordinary share of HK$0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of period/year	**4,931,730,000**	**493,173**	4,931,592,000	493,159
Exercise of share options	**–**	**–**	138,000	14
End of period/year	**4,931,730,000**	**493,173**	4,931,730,000	493,173

10. COMMITMENTS

(a) Film rights and programme acquisition

As at 31 March 2003, the Phoenix Group had aggregate outstanding film rights and programme related commitments of approximately HK$121,565,000 (as at 30 June 2002 – HK$140,917,000) of which approximately HK$120,150,000 (as at 30 June 2002 – HK$138,608,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited extending to 27 August 2008 and approximately HK$1,415,000 (as at 30 June 2002 – HK$2,309,000) was in respect of other programme acquisition agreements with third parties. Total film rights and programme related commitments are analysed as follows:

	As at 31 March 2003	As at 30 June 2002
	HK$'000	*HK$'000*
		(Audited)
Total committed purchase costs of film rights and programmes payable:		
– not later than one year	**22,870**	23,668
– later than one year and not later than five years	**89,624**	89,720
– later than five years	**9,071**	27,529
	121,565	140,917

(b) Land use right

As explained in Note 7, the Phoenix Group has an outstanding commitment to pay approximately HK$28,177,000 no later than 13th June 2003 in respect of a land use right on a parcel of land situated in Shenzhen, the PRC.

11. RELATED PARTY TRANSACTIONS

As at 31 March 2003, the outstanding balances with related companies were unsecured, non-interest bearing and had no fixed repayment terms.

In the normal course of business, the Phoenix Group had the following significant transactions with related parties:

		Three months ended 31 March		Nine months ended 31 March	
		2003	2002	**2003**	2002
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Office premises rental paid/payable to Satellite Television Asian Region Limited	a, b	**–**	1,593	**257**	4,779
Service charges paid/payable to Satellite Television Asian Region Limited	a, c	**20,258**	33,676	**66,845**	103,092
Commission for advertising sales and marketing services paid/payable to Satellite Television Asian Region Limited	a, d	**1,252**	2,277	**6,691**	5,797
Commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited	a, e	**588**	529	**1,740**	1,500
Sales of decoders to Satellite Television Asian Region Limited	a, f	**137**	–	**155**	–
Film licence fees paid/payable to STAR TV Filmed Entertainment Limited	a, g	**5,100**	5,100	**15,303**	15,302
Programme licence fees paid/payable to other STAR TV group companies	a, h	**–**	77	**–**	752
Programme licence fees paid/payable to ATV Enterprises Limited	i, j	**477**	–	**12,260**	1,105
Sale of a motor vehicle to ATV Enterprises Limited	j, k	**–**	–	**323**	–
Service charges paid/payable to Asia Television Limited	j, l	**41**	71	**158**	471
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	m, n	**1,023**	1,039	**3,070**	3,085
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	o, p	**1,169**	697	**3,741**	1,154

Notes:

The Directors have confirmed that all of the above related party transactions have been carried out in the normal course of business of the Phoenix Group.

(a) Satellite Television Asian Region Limited, STAR TV Filmed Entertainment Limited and other STAR TV group companies are wholly-owned subsidiaries of STAR Group Limited, which owns 100% of STAR Television Holdings Limited*, a major shareholder of the Company.

(b) Office premises rental paid/payable to Satellite Television Asian Region Limited was determined by reference to the area of space occupied by the Phoenix Group and was proportional to the rental payable by Satellite Television Asian Region Limited in respect of the area occupied by it under its lease with the landlord. Satellite Television Asian Region Limited subsequently surrendered the area occupied by the Phoenix Group to the landlord.

Pursuant to a tenancy agreement dated 6 February 2003 between the Group and such landlord, the landlord rented to the Phoenix Group directly the office space for a term of four years commencing from 15 July 2002. Consequently, no office premises rental is payable to Satellite Television Asian Region Limited commencing from 15 July 2002.

(c) Service charges paid/payable to Satellite Television Asian Region Limited cover the following services provided to the Phoenix Group which are charged either based on terms (i) mutually agreed upon between both parties or (ii) specified under various service agreements. Either fixed fees or variable fees are charged depending on the type of facilities utilised including the following:

- transponder capacity;
- network;
- broadcast operations and engineering;
- uplink and downlink; and
- general administrative and other support including access to, and the use of, general office facilities, management information system and commercial traffic.

(d) The commission for advertising sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 4% – 20% (2001/2002 – 4% – 20%) of the net advertising income generated and received by it on behalf of the Phoenix Group after deducting the relevant amount of the third party agency fees.

(e) The commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 15% (2001/2002 – 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.

(f) Sales of decoders to Satellite Television Asian Region Limited are charged based on terms mutually agreed upon between both parties.

(g) The film licence fees are charged in accordance with a film rights acquisition agreement with STAR TV Filmed Entertainment Limited.

(h) The programme licence fees paid/payable to other STAR TV group companies are negotiated on a case-by-case basis.

(i) The programme licence fees paid/payable to ATV Enterprises Limited are negotiated from time to time between both parties.

(j) ATV Enterprises Limited is a wholly-owned subsidiary of Asia Television Limited which is considered to be a connected party to the Company pursuant to the GEM Listing Rules. Mr. LIU, Changle and Mr. CHAN, Wing Kee, indirectly own approximately 46% of Asia Television Limited as at 31 March 2003. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in Asia Television Limited.

(k) Sale of a motor vehicle to ATV Enterprises Limited is based on terms mutually agreed upon between both parties.

(l) Service charges paid/payable to Asia Television Limited cover news footage and data transmission services provided to the Phoenix Group which are charged based on terms mutually agreed upon between both parties.

(m) Fox is an associate of STAR Television Holdings Limited*.

(n) Service charges paid/payable to Fox cover the following services provided to the Phoenix Group which are charged based on the terms specified in a service agreement:

- granting of non-exclusive and non-transferable licence to subscribe for Fox's news service;

- leasing of office space and access to workspace, subject to availability; and

- accessing Fox's camera hook up at the United Nations, interview positions in various places in the United States and live shots from Fox's satellite truck positions for events that Fox is already covering, subject to availability.

(o) BSkyB is 36.3% owned by The News Corporation Limited which indirectly owns 100% of STAR Television Holdings Limited.

(p) Service charges paid/payable to BSkyB cover the following services provided to the Phoenix Group which are charged based on terms specified in the service agreements:

- transponder rental;

- uplinking services; and

- encoding and electronic programme guide services

* STAR Television Holdings Limited changed its name to Xing Kong Chuan Mei Group Co., Ltd. on 10 April 2003.

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