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)

RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 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.

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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 enquires, 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.

HIGHLIGHTS

- A strong rebound in revenue, which increased by 30.2%, occurred during the three months ended 31 December 2003 following the poor performance of the preceding quarter due to the after effects of SARS, thereby causing the loss from operations to be reduced by 40.4% for the same period.

- Revenue of the Group for the six months ended 31 December 2003 decreased marginally by 0.2% to approximately HK$350,347,000 and loss from operations reduced by 10.8% to approximately HK$44,579,000, as compared with the six months ended 31 December 2002.

- Phoenix InfoNews Channel doubled its revenue to approximately HK$17,641,000 for the six months ended 31 December 2003 as compared with the same period in 2002.

- The initial response shows that the new measures introduced in the last quarter of 2003 for the sale of Phoenix channels' 2004 advertising air time in mainland China have been extremely successful, giving the management tremendous confidence that revenue for this year will grow substantially.

- Phoenix has maintained its pioneering role in introducing new programming to the Chinese television world, staging its own first ever the Miss Chinese World contest and playing a major role in organising the 53rd Miss World contest, which was held for the first time in China, in Hainan.

RESULTS

	Six months ended 31 December	
	2003	2002
	HK$'000	*HK$'000*
		(Unaudited)
Phoenix Chinese Channel	**296,763**	307,766
Phoenix InfoNews Channel	**17,641**	8,649
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**23,772**	23,665
Other businesses	**12,171**	10,850
Group's total revenue	**350,347**	350,930
Operating costs	**(394,926)**	(400,934)
Loss from operations	**(44,579)**	(50,004)
Loss attributable to shareholders	**(38,866)**	(38,292)
Loss per share, Hong Kong cents	**(0.79)**	(0.78)

	Three months ended		
	31 December	30 September	31 December
	2003	2003	2002
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	**198,139**	152,208	185,277
Loss from operations	**(16,652)**	(27,927)	(23,302)
Loss attributable to shareholders	**(13,235)**	(25,631)	(17,868)

FINANCIAL REVIEW

Revenue of the Group for the six months ended 31 December 2003 was approximately HK$350,347,000 with a 0.2% marginal decrease as compared with the same period last year. Although the figure is very similar to the same six months in the previous calendar year, Phoenix achieved this by recovering strongly in the second half of this six-month period from an exceptionally weak performance during the first half, which was suffering from the post-SARS economic downturn. Compared with the previous quarter of the current financial period, revenue grew substantially by 30.2%. This increase was mainly attributable to revenue from major events such as the beauty contests and the special programmes staged during Christmas and in the lead-up to the new year.

Advertising revenue for the six months ended 31 December 2003, which represented 90.2% of the Group's total revenue, had a marginal increase of 0.5% as compared with the same period last year. While Phoenix Chinese Channel remained the main revenue generator of the Group, it is worth noting that Phoenix InfoNews Channel had doubled its revenue to approximately HK$17,641,000 for the six months ended 31 December 2003 as compared with the same period in 2002. Operating costs for the six months ended 31 December 2003 were approximately HK$394,926,000, representing a 1.5% decrease.

Loss from operations for the six months ended 31 December 2003 decreased by 10.8% to approximately HK$44,579,000 as compared with the same period last year. Loss attributable to shareholders for the six months ended 31 December 2003 increased slightly by 1.5% to approximately HK$38,866,000.

By comparing the quarter ended 31 December 2003 with the previous quarter, there were satisfactory improvements in both loss from operations and loss attributable to shareholders which decreased by 40.4% and 48.4% respectively. This improvement was mainly attributable to the increase of advertising revenue.

BUSINESS OVERVIEW

Phoenix's performance of the final three months of 2003 was markedly superior to the performance over the previous quarter, which tends to confirm the assessment voiced in the Group's previous quarterly report to the effect that the downturn in income in that quarter was an irregular phenomenon brought about by the after-effects of SARS in the Chinese and Hong Kong markets. The 30.2% increase in revenue that was achieved in the final quarter of 2003 shows that Phoenix reacted swiftly to resume its regular level of performance.

In late 2003, Phoenix introduced new measures for selling its advertising air time in the mainland Chinese market starting January 2004 by expanding from its primarily single agent arrangement to a multiple agencies model. The initial number and consideration of new contracts concluded under these new measures show that the response has been very enthusiastic.

TELEVISION BROADCASTING

Phoenix has continued to pursue a policy of innovative and bold television programming in the context of the China television market, which over the last quarter was dramatically demonstrated in the staging of the Miss Chinese World contest. The event drew contestants from the global Chinese community and culminated in a grand finals show in Hong Kong in early November 2003. The success of this event has led Phoenix to decide to make an annual event of this pageant, which from this year onwards will be known as the Miss Chinese Cosmos contest. Phoenix also acted as the organising party and facilitator in China for the 53rd Miss World contest, which was held for the first time in China in Hainan, in early December 2003, and for which Phoenix held the exclusive broadcasting rights in mainland China.

Phoenix has also continued to play a leading role in reporting on key regional and global political developments, thus providing its audience with up-to-date information on world events. Phoenix, for example, has followed developments in the Taiwan election closely, and has also interviewed senior US officials on developments in the region. Phoenix's current affairs programmes are also proving to be extremely popular. "Daily Summary of Press", for example, which provides a round-up of the lead stories in Chinese and international newspapers, has attracted extensive positive comment from specialist media commentators. Phoenix has also strengthened its coverage of Chinese news stories by stationing senior reporters in both Beijing and Shanghai.

PROSPECTS

The positive factors that have been reflected in the strong recovery in business performance over the last three to four months will clearly be reinforced by the impact of the new advertising sales measures that began to operate in January this year. As mentioned above, the initial number and consideration of new contracts concluded under these new measures indeed gives the management tremendous confidence in looking ahead to this new calendar year, with which Phoenix has now aligned its financial year, being a markedly improved year in terms of revenue performance. In the long run, the management is optimistic that the Chinese advertising market will continue to grow steadily and Phoenix's share in this market will likewise increase as Phoenix's innovative programming continues to enhance Phoenix's appeal to the mainland Chinese audience.

To facilitate better understanding of the Group's performance, the comparison presented below covered the six months ended 31 December 2003 and six months ended 31 December 2002 (unaudited) (with the exception to staff costs where a 12-month historical figure is adopted for comparison).

COMMENTS ON SEGMENTAL INFORMATION

The table below shows the comparison of operating results of our businesses for the six months ended 31 December 2003 and 2002 respectively.

	Six months ended 31 December	
	2003	2002
	HK$'000	*HK$'000*
		(Unaudited)
Phoenix Chinese Channel	**84,087**	102,054
Phoenix InfoNews Channel	**(51,464)**	(60,255)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(25,133)**	(37,563)
Other businesses	**(4,915)**	(7,437)
Corporate overheads	**(47,154)**	(46,803)
Loss from operations	**(44,579)**	(50,004)

Revenues from television broadcasting, comprising of both advertising and subscription revenues, which accounted for 96.5% of the Group's total revenue for the six months ended 31 December 2003, decreased slightly by 0.6% to approximately HK$338,176,000 (six months ended 31 December 2002: HK$340,081,000). The segmental result for television broadcasting recorded a profit of approximately HK$9,627,000 for the same period (six months ended 31 December 2002: HK$12,012,000).

Revenue from the Group's flagship channel, Phoenix Chinese Channel, which accounted for 84.7% of the Group's total revenue for the six months ended 31 December 2003, decreased by 3.6% to approximately HK$296,763,000 (six months ended 31 December 2002: HK$307,766,000).

Having strengthened programming and placed greater emphasis on viewership expansion, Phoenix InfoNews Channel successfully doubled its revenue to approximately HK$17,641,000 (six months ended 31 December 2002: HK$8,649,000) and the operating loss was reduced by 14.6% to approximately HK$51,464,000 for the six months ended 31 December 2003 (six months ended 31 December 2002: HK$60,255,000).

Subscription revenue of Phoenix North America Chinese Channel maintained a steady growth, whilst such increase in revenue was offset by the decrease of revenue in Phoenix Movies Channel due to the termination of the minimum guarantee arrangement with an agent in the PRC for this channel. Phoenix Chinese News and Entertainment Channel maintained a steady performance. The improvement of the overall operating results of the three channels was mainly contributed by the saving in operating costs.

Revenue from programme production and ancillary services was approximately HK$11,900,000 for the six months ended 31 December 2003 (six months ended 31 December 2002: HK$4,267,000), which represented an encouraging 1.8 times increase as compared to the same period last year. Segmental result for programme production and ancillary services record a marginal profit of approximately HK$26,000 for the period, as compared with a loss of approximately HK$1,233,000 in the same period last year.

The performance of the internet services and other activities, which included advertising & subscription revenue from magazine and handling income from television subscription, improved gradually for the past six months. Segmental loss for the internet services and other activities were approximately HK$3,571,000 (six months ended 31 December 2002: HK$4,215,000) and approximately HK$618,000 for the six months ended 31 December 2003 (six months ended 31 December 2002: HK$892,000), represented a decrease of 15.3% and 30.7% respectively as compared with the same period last year. Such reduction in loss was mainly attributable to the reduction in operating costs.

Please refer to note 2 of the notes to the accounts for a detailed analysis on segmental information and the television broadcasting section under the "Business Overview" in this report for commentary of our core business.

DIVIDEND

The Board does not recommend the payment of a dividend in order to allow for cash for future business development (year ended 30 June 2003: Nil).

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Phoenix Real Properties Limited ("Real Properties") is a wholly owned subsidiary of the Group which owns 90% interest in a sino-foreign co-operative joint venture company in the PRC. Such joint venture has 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 PRC for the development of a building including a production centre for the Group. The total consideration for the acquisition has been paid.

Pursuant to an agreement dated 29 October 2003 entered into by the Phoenix Group and Oasiscity Limited ("Oasiscity "), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity shall, inter alia, acquire 60% interest in Real Properties, which owns 90% interest in 深圳鳳凰置業有限公司.

Upon completion of acquisition of 60% equity interest in Real Properties by Oasiscity, the Phoenix Group shall not be required to provide any further financing for the development of the building and will be entitled to a portion of the non-saleable area. Oasiscity shall be responsible for providing all required financing for the development of the building.

Upon the completion of the development of the building, it is expected that the Group's entitlement to the relevant portion of the non-saleable area will have a value of not less than current carrying value of approximately HK$61,120,000.

Despite the fact that the formal issuance of shares to Oasiscity has not been completed as at 31 December 2003, it was agreed between the Phoenix Group and Oasiscity that control on the operational and financial decisions on Real Properties and 深圳鳳凰置業有限公司 should pass on 29 October 2003. Accordingly, Real Properties and 深圳鳳凰置業有限公司 were not accounted for as subsidiaries of Phoenix Group since 29 October 2003 (see Note 16).

Other than the above mentioned, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 31 December 2003.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2003 were similar to those of the Group as at 30 June 2003. The aggregate outstanding borrowings of the Group as at 31 December 2003 were approximately HK$9,982,000 (as at 30 June 2003: HK$11,887,000), representing current accounts with related companies which were unsecured and non-interest bearing. Such minor fluctuation was within the normal pattern of operations of the Group.

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 23.4% as at 31 December 2003 (as at 30 June 2003: 24.2%). Accordingly, the financial position of the Group has remained very liquid.

As most of the Group's monetary assets are denominated in Hong Kong dollars, US dollars and Renminbi, with minimal balances in UK pounds and Taiwan dollars, the exchange rate risks of the Group is considered to be minimal.

CHARGE ON ASSETS

As at 31 December 2003, deposits of approximately HK$3,400,000 (as at 30 June 2003: HK$3,300,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

Other than the above, the Group did not have any charge on its assets as at 31 December 2003 and 30 June 2003.

CAPITAL STRUCTURE

During the six months ended 31 December 2003, there is no change in the Company's share capital. As 31 December 2003, the Group's operations were financed mainly by shareholders' equity.

STAFF

As at 31 December 2003, the Group employed 597 full time staff (as at 30 June 2003: 596), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes, discretionary bonus and employee share option scheme. Staff costs for the six months ended 31 December 2003 was approximately HK$99,672,000 (year ended 30 June 2003: HK$194,882,000).

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

SIGNIFICANT INVESTMENT

The Group has not held any significant investment for the six months ended 31 December 2003.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group will continue to consolidate its existing businesses while exploring new business areas that will complement and enhance its existing businesses.

Other than disclosed herein, the Group did not have any plan for material investments and acquisition of material capital assets.

CONTINGENT LIABILITIES

Other than disclosed in note 28 to the accounts, the Group had no material contingent liabilities as at 31 December 2003 and 30 June 2003 respectively.

The Directors submit their report together with the audited accounts of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "Phoenix Group") for the six months ended 31 December 2003 (the "period").

PRINCIPAL ACTIVITIES AND OPERATIONS

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in note 19 to the accounts.

An analysis of the Group's performance for the period by business and geographical segments is set out in note 2 to the accounts.

CHANGE OF FINANCIAL YEAR END

On 8 January 2004, the Company changed its financial year end from 30 June to 31 December. The Directors consider the reason for the change of financial year end is to align the Group's business cycle with that of its advertising customers, and the agents who represent them, which normally have a year end on 31 December and determine their advertising budgets and operate on a calendar year cycle.

As a result of the change of financial year end from 30 June to 31 December, the comparatives for the consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement and the related notes may not be comparable.

RESULTS AND APPROPRIATIONS

The results of the Group for the period are set out in the consolidated profit and loss account on page 31.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the period are set out in note 24 to the accounts.

DONATIONS

Charitable donations made by the Group during the period amounted to approximately HK$20,000 (year ended 30 June 2003: HK$17,000).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 15 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 22 and note 23 respectively to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2003, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$784,315,000 (as at 30 June 2003: HK$784,657,000).

FIVE PERIOD/YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial period/years is set out on page 75.

DIRECTORS

The Directors during the period were:

Executive Directors:

LIU, Changle	(Alternate Director to CHUI, Keung)
CHUI, Keung	(Alternate Director to LIU, Changle)

Non-Executive Directors:

MURDOCH, James Rupert	(Resigned on 10 November 2003)
GUTHRIE, Michelle Lee	(Alternate Director to LAU, Yu Leung John and CHEUNG, Chun On Daniel) (Appointed on 31 July 2003)
CHURCHILL, Bruce Barrett	(Alternate Director to LAU, Yu Leung John and CHEUNG, Chun On Daniel) (Resigned on 31 July 2003)
LAU, Yu Leung John	(Alternate Director to CHEUNG, Chun On Daniel) (Alternate Director to MURDOCH, James Rupert for the period up to 10 November 2003) (Alternate Director to CHURCHILL, Bruce Barrett for the period up to 31 July 2003)
CHEUNG, Chun On Daniel	(Alternate Director to LAU, Yu Leung John) (Alternate Director to MURDOCH, James Rupert for the period up to 10 November 2003) (Alternate Director to CHURCHILL, Bruce Barrett for the period up to 31 July 2003)
XU, Gang	
CHEUNG, San Ping	(Alternate Director to LIU, Changle and CHUI, Keung)

Independent Non-executive Directors:

LO, Ka Shui
KUOK, Khoon Ean

Alternate Director:

GONG, Jianzhong	(Alternate Director to XU, Gang)

In accordance with the Articles of Association of the Company, CHUI, Keung and CHEUNG, San Ping will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

On 10 September 2003, each of the Executive Directors of the Company has entered into a new service contract with the Company commencing from 1 July 2003. The term of each contract will be for a term of three years commencing from 1 July 2003 and thereafter may be terminated by either party giving to the other not less than three months' written notice.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

The terms of office of each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2003, the interests of the Directors and chief executives in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by Directors, were as follows:

Ordinary shares

	Number of shares held					
Name	**Personal interest**	**Family interest**	**Corporate interest**	**Other interest**	**Total number of shares**	**Percentage of shareholding**
LIU, Changle *	–	–	1,854,000,000	–	1,854,000,000	37.6%

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 December 2003.

* Being an Executive Director of the Company.

Save as disclosed herein, as at 31 December 2003, none of the Directors or chief executives of the Company, had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

(A) Share option schemes 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 following is a summary of the principal terms of the Pre-IPO Share Option Scheme as at 31 December 2003:

Purpose of the scheme

The purpose of the scheme, though not explicitly stated in the scheme document, is to recognise the contribution of certain employees to the growth of the Group and/or to the listing of shares of the Company ("Shares") on the Growth Enterprise Market of the Stock Exchange ("GEM").

The participants of the scheme

Employees of any member of the Company, including any Executive Directors of any member of the Group who have commenced working for the Group for not less than one month prior to the date of grant of an option and spent not less than twenty hours per week in providing services to the Group may take up options to subscribe for Shares.

The total number of securities available for issue

The total number of Shares available for issue under options which may be granted under the Pre-IPO Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of listing of the Shares on GEM on 30 June 2000 (the "Listing Date").

The total number of Shares in respect of which options are issuable under the scheme is 484,706,000 Shares, representing 10% and 9.8% of the issued share capital of the Company as at the Listing Date and as at the date of this report respectively.

The maximum entitlement of each participant under the scheme

No option may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of Shares the subject of such option, when added to the number of Shares which may be subscribed by that eligible person under any outstanding options granted to that eligible person and to the number of Shares previously subscribed by the eligible person under any options granted to the eligible person under the scheme exceeding 25% of the aggregate number of Shares available for subscription under the scheme at that time.

Time of exercise of option

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

Date of exercise of an option	**Percentage of Shares comprised in options which is exercisable**
between the date of grant of an option and less than 12 months following the date of grant of an option	zero
between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
any time falling 48 months from the date of grant of an option and thereafter	100%

Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than three days from (and including) the date on which the letter of offer of the grant of option is issued by the Company ("Offer Date"). Upon acceptance of the option, the option holder shall pay HK$1 to the Company as consideration of the grant.

The basis of determining the exercise price

Same as the offer price for the Shares as set out in the prospectus of the Company dated 21 June 2000 (the "Prospectus").

The remaining life of the scheme

The scheme period expires upon the listing of the Company on the GEM, for which the option expires when the vesting period ends.

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:

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 2003	Lapsed during the period	Exercised during the period	Balance as at 31 December 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
102 other employees	14 June 2000	14 June 2001 to 13 June 2010	1.08	37,256,000	(638,000)	–	36,618,000
Total: 104 employees				46,566,000	(638,000)	–	45,928,000

During the six months ended 31 December 2003, 638,000 options granted to 4 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.

Save as stated above, no option has been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Pre-IPO Share Option Scheme. No participant was granted any option in excess of the individual limit as set out in the GEM Listing Rules or under the Pre-IPO Share Option Scheme.

(2) Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme as at 31 December 2003:

Purpose of the scheme

The purpose of the scheme is to retain and provide incentives to the employees of the Group to achieve its business objectives.

The participants of the scheme

Employees of any member of the Company, including any Executive Directors of any member of the Phoenix Group, in the full-time employment of the Company (or its subsidiaries) may take up options to subscribe for Shares.

The total number of securities available for issue

(a) The total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% (or such higher percentage as may be allowed under the GEM Listing Rules) of the issued share capital of the Company in issue as at the date of approval of the scheme unless Shareholders' approval has been obtained pursuant to paragraphs (b) and (c) below.

(b) The Company may seek approval by Shareholders in general meeting to refresh the limit as referred to in the above paragraph (a).

(c) The Company may seek separate Shareholders' approval in a general meeting to grant options beyond the limit as referred to in the above paragraph (a) provided that the total number of Shares subject to the scheme and any other schemes do not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.

(d) Shareholders' approval has been obtained on 6 August 2002 to refresh the 10% limit. The Directors may grant options for subscription of up to 493,173,000 Shares (which do not include those options that are outstanding, cancelled or lapsed), representing 10% of the issued share capital as at the date of this report.

The maximum entitlement of each participant under the scheme

Unless approved by Shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the Company in issue.

Time of exercise of option

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

Date of exercise of an option	**Percentage of Shares comprised in options which is exercisable**
between the date of grant of an option and less than 12 months following the date of grant of an option	zero
between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
any time falling 48 months from the date of grant of an option and thereafter	100%

Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than twenty one days from (and including) the Offer Date. Upon acceptance of the option, the option holder shall pay HK$1 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the Committee and will be no less than the highest of (a) the closing price of Shares as stated in the Stock Exchange's daily quotation sheets on the Offer Date which must be a business day, (b) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date and (c) the nominal value of the Share.

The remaining life of the scheme

The scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the 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	Number of share options: Balance as at 1 July 2003	Lapsed during the period	Exercised during the period	Balance as at 31 December 2003
			HK$				
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	12,160,000	–	–	12,160,000
5 employees	20 December 2002	20 December 2003 to 19 December 2012	0.79	2,468,000	–	–	2,468,000
Total: 25 employees				16,328,000	–	–	16,328,000

Save as disclosed above, no option has been exercised, cancelled or lapsed during the period.

No option had been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Share Option Scheme. No participant was granted any option in excess of the individual limit as set out in the GEM Listing Rules or under the Share Option Scheme.

The summary of the treatment of forfeiture of option prior to the expiry date is set out in the appendix of the half-yearly report 2000/2001.

Valuation of share options

The options granted are not recognised in the financial statements of the Phoenix Group until they are exercised. The Directors consider that it is not appropriate to state the value of the options granted during the period on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the Shareholders.

(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"). The following is a summary of the principal terms of the PHOENIXi Plan as at 31 December 2003:

Purpose of the scheme

The purposes of the PHOENIXi Plan are to attract and retain the best available personnel, to provide additional incentive to its employees and Executive Directors and to promote the success of its business.

The participants of the scheme

The employees of PHOENIXi, including any Executive Directors, in the full-time employment of PHOENIXi or the Company (or the subsidiaries of PHOENIXi) are eligible to take up options to subscribe for shares in PHOENIXi. In addition, to be classified as an eligible person, where the employee is employed by a holding company of PHOENIXi or a subsidiary of PHOENIXi, the employee must perform an executive role for PHOENIXi.

The total number of securities available for issue

(a) The total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi, must not in aggregate exceed 10% of the issued share capital of PHOENIXi as at the Listing Date unless approvals of the Shareholders of the Company and PHOENIXi have been obtained pursuant to paragraphs (b) and (c) below.

(b) PHOENIXi may seek approval by the Shareholders of the Company and PHOENIXi in general meeting to refresh the 10% limit. However, the total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi in these circumstances must not exceed 10% of the issued share capital of PHOENIXi at the date of approval of the refreshing of the limit.

(c) PHOENIXi may seek separate approval of the Shareholders of the Company and PHOENIXi in general meeting to grant options beyond the 10% limit provided that (i) the total number of shares subject to the PHOENIXi Plan and any other schemes of PHOENIXi does not in aggregate exceed 30% of the total issued share capital of PHOENIXi and (ii) the options in excess of the 10% limit are granted only to participants specified by PHOENIXi before such approval is sought.

The maximum entitlement of each participant under the scheme

No options may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of shares of PHOENIXi the subject of such option, when added to the number of shares already issued and/or issuable to him under the PHOENIXi Plan exceeding 25% of the aggregate number of shares of PHOENIXi in respect of which options are issuable under the PHOENIXi Plan.

Time of exercise of option

Generally, an option may be exercised at any time during a period of no more than ten years commencing from the date of grant. However, in the case of an Incentive Stock Option ("ISO") granted to a person, who at the time of the grant, owns shares in PHOENIXi representing more than 10% of the voting power of PHOENIXi, the Company or any subsidiary of the Company, the option period will be five years from the date of grant thereof.

Minimum holding period

As stated above, there is no minimum holding period for which an option can be exercised.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than twenty one days from (and including) the Offer Date. Upon acceptance of the option, the option holder shall pay US$1 to the Company as consideration of the grant.

The basis of determining the exercise price

The price for the shares of PHOENIXi upon the exercise of an option under the PHOENIXi Plan will, in the case of:

(a) an ISO or a Non-Qualified Stock Option ("NQS"), where the grantee owns more than 10% of the shares of the Company, PHOENIXi or its subsidiaries (each a "Related Entity"), be equal to not less than 110% of the Fair Market Value (as referred to below) per share of PHOENIXi on the date of the grant.

(b) an ISO or NQS, where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.

(c) an option which is neither an ISO nor an NQS but where the grantee owns more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.

(d) an option which is neither an ISO nor an NQS but where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than 85% of the Fair Market Value per share of PHOENIXi on the date of the grant, but if the shares of PHOENIXi are listed or if a Director of the Company or PHOENIXi or their associates participates in the PHOENIXi Plan, the per share price must not be less than the Fair Market Value per share of PHOENIXi on the date of the grant.

For the purpose of the above "Fair Market Value" means as of any date, the value of shares of the Company, PHOENIXi or any subsidiary of PHOENIXi (as the case may be) determined as follows:

(i) where the shares of PHOENIXi are listed on any stock exchange, the Fair Market Value shall be (a) no less than the higher of the closing price for a share on the date of the grant of an option which must be a business day, or (b) the average closing price of the share for the five business days immediately preceding the date of grant (the closing price shall be the price on the stock exchange on which the shares of PHOENIXi are listed) or (c) the nominal value of a share; or

(ii) in the absence of an established market for the shares of the type described in (i) above, the Fair Market Value thereof shall be determined by the Committee in good faith on a fair and reasonable basis but in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations but in any event must in no circumstances be less than the latest audited net tangible assets per share of PHOENIXi unless none of the Directors or their associates of PHOENIXi or the Company participate in the Plan, in which event, reference does not need to be made to the latest audited net tangible asset per share of PHOENIXi for the purpose of determining the Fair Market Value of the shares.

The remaining life of the scheme

The scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the scheme.

As at 31 December 2003, no options had been 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 must 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 section headed "Share Option Schemes" of this report.

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 contracts of significance in relation to the Phoenix Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2003, the interest of the shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

(i) Substantial shareholders

Name of substantial shareholders	Number of ordinary shares	Percentage of shareholding
Xing Kong Chuan Mei Group Co., Ltd. *(Note 1)*	1,854,000,000	37.6%
Today's Asia Limited *(Note 2)*	1,854,000,000	37.6%

Notes:

1. 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 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 an indirect wholly owned subsidiary of The News Corporation Limited ("News Corporation").

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

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.

(ii) Other person who is required to disclose his interests

Name of other person who has more than 5% interest	Number of ordinary shares	Percentage of shareholding
China Wise International Limited *(Note)*	412,000,000	8.4%

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. By virtue of the SFO, Bank of China, Bank of China Group Investment Limited and Cultural Developments Limited are both deemed to be interested in the 412,000,000 shares held by China Wise International Limited.

Save as disclosed above, no other shareholders or other persons had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

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 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 since 1 July 2002. Accordingly, no additional disclosure is made for the six months ended 31 December 2003.

CONNECTED TRANSACTIONS

1. The following connected transactions with Satellite Television Asian Region Limited ("STARL"), STAR TV Filmed Entertainment Limited ("STAR Filmed"), ATV Enterprises Limited ("ATVE") and Asia Television Limited ("ATV") have been approved by resolutions of independent shareholders passed on 26 June 2003:

   (a) STARL is a subsidiary of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transactions are:

      (i) STARL provides technical and administrative services for the operations of the Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix InfoNews Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel. For the six months ended 31 December 2003, the service charges paid/payable to STARL amounted to approximately HK$22,116,000, which was calculated under the terms of the executed service agreement between a subsidiary of the Company and STARL. Such amount did not exceed the annual cap of HK$80,000,000 approved under the relevant resolutions.

      (ii) STARL acts as an agent to promote international subscription sales and marketing services for the Phoenix Group. For the six months ended 31 December 2003, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK$1,358,000, which was calculated based on 15% of the subscription fees generated and received by STARL on behalf of the Phoenix Group. Such amount did not exceed the annual cap of HK$5,000,000 approved under the relevant resolutions.

      (iii) STARL acts as an exclusive advertising agent for the Phoenix Group at all territories outside the People's Republic of China ("PRC"). For the six months ended 31 December 2003, commission for advertising sales and marketing services paid/payable to STARL amounted to approximately HK$1,796,000, which was calculated based on 4%-15% of the net advertising income generated and received by STARL on behalf of the Phoenix Group after deducting the relevant amount of the third party agency fees incurred by it. Such amount did not exceed the annual cap of HK$20,000,000 approved under the relevant resolutions.

   (b) STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transaction relates to the granting of 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. For the six months ended 31 December 2003, the film licence fees paid/payable to STAR Filmed amounted to approximately HK$10,172,000, which was charged according to the executed film rights licensing agreement between a subsidiary of the Company and STAR Filmed. Such amount did not exceed the annual cap of HK$23,000,000 approved under the relevant resolutions.

(c) ATVE, a wholly-owned subsidiary of ATV, is a connected party by virtue of the fact that Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2003. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003. The connected transaction relates to the acquisition of certain television programme licences from ATVE. For the six months ended 31 December 2003, programme licence fees paid/payable to ATVE amounted to approximately HK$2,250,000, which were charged according to the executed licensing agreement between a subsidiary of the Company and ATVE. Such amount did not exceed the annual cap of HK$15,000,000 approved under the relevant resolutions.

(d) A subsidiary of the Company has entered into an arrangement to provide technical support services and equipment to ATV for the operation of the ATV Home Channel (U.S. version) via EchoStar Satellite Corporation, a direct-to-home satellite television operator in the United States. For the six months ended 31 December 2003, the service fees received/receivable from the provision of technical support services and equipment to ATV was approximately HK$651,000, which was charged according to the executed service agreement between a subsidiary of the Company and ATV. Such amount did not exceed the annual cap of HK$2,000,000 approved under the relevant resolutions.

2. A subsidiary of the Company has entered into an agreement with Fox News Network L.L.C. ("Fox"), an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transactions relate to:

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

(b) leasing of office space and access to workspace, subject to availability; and

(c) 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.

These connected transactions have been approved by resolutions of independent shareholders passed on 26 July 2001 in compliance with Chapter 20 of the GEM Listing Rule. For the six months ended 31 December 2003, the service charges paid/payable to Fox amounted to approximately HK$2,070,000, which were charged under the licensing agreement between a subsidiary of the Company and Fox. Such amount did not exceed the annual cap of HK$4,940,300 approved under the relevant resolutions.

3. A 70% owned subsidiary of the Company has entered into a transponder rental agreement and an electronic programme guide ("EPG") services agreement with British Sky Broadcasting Limited ("BSkyB"), an associate of Xing Kong Chuan Mei Group Co., Ltd., which owns 37.6% interest in the Company. These connected transactions relate to the provision of transponder rental, uplinking and EPG services for Phoenix Chinese News and Entertainment Channel. For the six months ended 31 December 2003, the transponder rental and uplink costs paid/payable to BSkyB amounted to approximately HK$2,534,000, which were charged in accordance with the service agreements with BSkyB. Such amount did not exceed the annual cap of HK$6,600,000 approved by the independent shareholders on 6 August 2002.

4. For the six months ended 31 December 2003, news footage and data transmission services were provided by ATV to a subsidiary of the Company. The service charges paid/payable to ATV amounted to approximately HK$360,000 which, were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.25 of GEM Listing Rules as the annual total consideration or value of the transaction is less than the higher of HK$1,000,000 or 0.03% of the net tangible assets of the Phoenix Group. Such transaction is exempted from the reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

5. For the six months ended 31 December 2003, decoder devices sold to STARL amounted to approximately HK$24,000, which were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.25 of GEM Listing Rules as the annual total consideration or value of the transaction is less than the higher of HK$1,000,000 or 0.03% of the net tangible assets of the Phoenix Group. Such transaction is exempted from the reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

6. For the six months ended 31 December 2003, the Phoenix Group had purchased certain broadcast operations and engineering equipment from STARL. The purchases of broadcast operations and engineering equipment amounted to approximately HK$1,442,000, which were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.24 of GEM Listing Rules as the annual total consideration or value of the transaction is less than the higher of HK$10,000,000 or 3% of the net tangible assets of the Phoenix Group. Such transaction is exempted from the Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. The Company has made an announcement on 5 January 2004 in respect of this connected transaction with STARL.

   The Independent Non-Executive Directors of the Company have reviewed the above transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that at the time of the transactions:

   (a) the transactions have been entered into by the relevant member of the Phoenix Group in the ordinary and usual course of its business;

(b) the transactions have been entered into on an arm's length basis and on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or terms not less favourable to the Phoenix Group than terms available to or from (as the case may be) independent third parties; and

(c) the transactions have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, for those connected transactions the annual caps of which are greater than the higher of HK$10,000,000 or 3% of the net tangible assets of the Group, the Independent Non-Executive Directors of the Company are of the opinion that the Group should continue with the agreements for such transactions.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and programme purchases for the period/year attributable to the Group's major customers and suppliers are as follows:

	Six months ended 31 December 2003	Year ended 30 June 2003
Sales		
– the largest customer	3%	2%
– five largest customers	13%	10%
Programme purchases		
– the largest supplier	29%	33%
– five largest suppliers	59%	52%

STAR Filmed is the largest programme supplier of the Phoenix Group referred to above. Details of the transactions between the Phoenix Group and STAR Filmed are set out in note 30 to the accounts. STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

ATVE, a wholly-owned subsidiary of ATV, is one of the five largest programme suppliers of the Phoenix Group referred to above. Details of the transactions between the Phoenix Group and ATVE are set out in note 30 to the accounts. Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly own approximately 46% of ATV as at 31 December 2003. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2003. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

In the opinion of the Directors, such transactions were carried out on terms no more favourable than terms available to independent third parties.

Save as above mentioned, none of the Directors, their associates, or any Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's share capital has a beneficial interest in any one of the Phoenix Group's top five customers and/or programme suppliers.

COMPETING INTERESTS

Today's Asia Limited, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited have interests 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, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

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. 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 has signed an agreement with CITVC, enabling Xing Kong Wei Shi to be viewed nationally in hotels with three-stars and above, and in foreign and overseas Chinese compounds.

Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV, a Hong Kong based television broadcasting company. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2003. He also owns 80% of Dragon Goodwill International Limited, which has 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 had received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong.

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.

ADVANCES TO AN ENTITY

Please refer to note 11 to the accounts 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 four times a year to review with management the accounting principles and practices adopted by the Phoenix Group and to discuss auditing, internal control and financial reporting matters. The audit committee comprises one Non-Executive Director, namely Mr. LAU, Yu Leung John and two Independent Non-Executive Directors, namely Dr. LO, Ka Shui and Mr. KUOK, Khoon Ean.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures throughout the period.

AUDITORS

The accounts in respect of financial year ended 30 June 2001 were audited by Arthur Andersen & Co. Pursuant to the combination of practice of Arthur Andersen & Co. with PricewaterhouseCoopers effective 1 July 2002, the accounts for the years ended 30 June 2002 and 2003 were audited by PricewaterhouseCoopers.

The accounts for the six months ended 31 December 2003 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
LIU, Changle
Chairman

Hong Kong, 10 March 2004

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 31 to 74 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the loss and cash flows of the Group for the six months then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 December 2003

	Note	**Six months ended 31 December 2003 HK$'000**	Year ended 30 June 2003 HK$'000 (As restated) *(Note 1n)*
REVENUE	2	**350,347**	709,970
OPERATING EXPENSES	30	**(321,668)**	(661,238)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	30	**(73,258)**	(142,065)
LOSS FROM OPERATIONS	3	**(44,579)**	(93,333)
OTHER INCOME			
Exchange gain, net		**834**	2,466
Interest income, net		**1,981**	5,598
Other income, net		**5,143**	13,567
	2	**7,958**	21,631
LOSS BEFORE TAXATION AND MINORITY INTERESTS		**(36,621)**	(71,702)
TAXATION	4	**(2,559)**	(3,811)
LOSS BEFORE MINORITY INTERESTS		**(39,180)**	(75,513)
MINORITY INTERESTS		**314**	3,150
LOSS ATTRIBUTABLE TO SHAREHOLDERS	5	**(38,866)**	(72,363)
ACCUMULATED DEFICIT, beginning of period/year		**(573,605)**	(501,242)
DIVIDENDS	6	**–**	–
ACCUMULATED DEFICIT, end of period/year		**(612,471)**	(573,605)
BASIC LOSS PER SHARE, Hong Kong cents	7	**(0.79)**	(1.47)
DILUTED LOSS PER SHARE, Hong Kong cents	7	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2003

	Note	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000* (As restated) *(Note 1n)*
Current assets			
Cash and bank balances	28	**388,869**	428,039
Accounts receivable, net	10	**32,438**	30,198
Prepayments, deposits and other receivables	11	**277,651**	272,479
Inventories	12	**9,187**	10,617
Amounts due from related companies	13	**223**	223
Self-produced programmes		**11,337**	21,517
Purchased programme and film rights, current portion	14	**9,259**	13,281
		728,964	776,354
Non-current assets			
Purchased programme and film rights	14	**24,133**	24,049
Fixed assets, net	15	**62,607**	70,855
Land deposit and development costs	16	**61,120**	57,354
Investment in an associated company	17	**–**	–
Interest in a jointly controlled entity	18	**472**	–
Deferred tax assets	25	**743**	2,224
Other non-current assets		**–**	1,767
		149,075	156,249
Total assets		**878,039**	932,603

	Note	As at 31 December 2003 HK$'000	As at 30 June 2003 HK$'000 (As restated) (Note 1n)
Current liabilities			
Accounts payable, other payables and accruals	20	**96,432**	94,093
Deferred income		**52,420**	67,633
Amounts due to related companies	13	**9,982**	11,887
Profits tax payable		**5,939**	4,726
		164,773	178,339
Non-current liability			
Deferred tax liabilities	25	**743**	2,224
Total liabilities		**165,516**	180,563
Minority interests		**6,103**	6,832
Capital and reserves			
Share capital	22	**493,173**	493,173
Reserves	24	**213,247**	252,035
Total shareholders' equity		**706,420**	745,208
Total liabilities and shareholders' equity		**878,039**	932,603

Approved by the Board of Directors on 10 March 2004 and signed on behalf of the Board by

Liu, Changle
Director

Guthrie, Michelle Lee
Director

BALANCE SHEET

As at 31 December 2003

	Note	**As at 31 December 2003** **HK$'000**	As at 30 June 2003 HK$'000
Current asset			
Cash and bank balances		**878**	878
		878	878
Non-current asset			
Interests in subsidiaries	19	**1,276,740**	1,277,102
Total assets		**1,277,618**	1,277,980
Current liability			
Other payables and accruals		**130**	150
Total liability		**130**	150
Capital and reserves			
Share capital	22	**493,173**	493,173
Reserves	24	**784,315**	784,657
Total shareholders' equity		**1,277,488**	1,277,830
Total liability and shareholders' equity		**1,277,618**	1,277,980

Approved by the Board of Directors on 10 March 2004 and signed on behalf of the Board by

Liu, Changle
Director

Guthrie, Michelle Lee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2003

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000*
Total equity at the beginning of the period/year, as previously reported	**745,095**	816,518
Changes in accounting policy – provision for deferred taxation *(Note 1n)*	**113**	252
Total equity at the end of the period/year, as restated	**745,208**	816,770
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**78**	801
Loss attributable to shareholders	**(38,866)**	(72,363)
Total equity at the end of the period/year	**706,420**	745,208

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2003

	Note	**Six months ended 31 December 2003** *HK$'000*	Year ended 30 June 2003 *HK$'000*
OPERATING ACTIVITIES			
Net cash (outflow)/inflow from operations	27(a)	**(37,853)**	14,364
Hong Kong taxation paid		**(1,337)**	(3,494)
Overseas taxation paid		**(9)**	(49)
Interest received from bank deposits		**1,984**	5,609
Interest paid		**(3)**	(11)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		**(37,218)**	16,419
INVESTING ACTIVITIES			
Increase in land deposit and development costs		**–**	(28,177)
Purchase of fixed assets		**(3,341)**	(10,618)
Disposal of subsidiaries	27(b)	**2,032**	–
Interest in a jointly controlled entity		**(472)**	–
Proceeds from disposal of fixed assets		**266**	333
Increase in other non-current assets		**(420)**	(1,767)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(1,935)**	(40,229)
DECREASE IN CASH AND CASH EQUIVALENTS		**(39,153)**	(23,810)
CASH AND CASH EQUIVALENTS, beginning of period/year		**428,039**	451,327
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(17)**	522
CASH AND CASH EQUIVALENTS, end of period/year		**388,869**	428,039

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Change of financial year end

On 8 January 2004, the Company changed its financial year end from 30 June to 31 December. The Directors consider the reason for the change of financial year end is to align the Group's business cycle with that of its advertising customers, and the agents who represent them, which normally have a year end on 31 December and determine their advertising budgets and operate on a calendar year cycle.

As a result of the change of financial year end from 30 June to 31 December, the comparatives for the consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement and the related notes may not be comparable.

(b) Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" issued by the HKSA, which is effective for periods commencing on or after 1 January 2003.

The changes to the Group's accounting policies and the effect of adopting this revised SSAP are set out in note 1(n).

(c) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Group accounting *(Continued)*

(i) Consolidation (Continued)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

(iii) Associated company

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of an associated company for the period, and the consolidated balance sheet includes the Group's share of the net assets of the associated company.

Equity accounting is discontinued when the carrying amount of the investment in the associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iv) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, an associated company and a jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets

(i) Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses

Fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	15% or over the terms of the leases
Furniture and fixtures	15% – 20%
Broadcast operations and other equipment	20%
Motor vehicles	20%

(ii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Purchased programme and film rights

Purchased programme and film rights and the related accruals are recorded at cost less accumulated amortisation and any impairment losses. The cost of purchased programme and film rights is charged to the profit and loss account either on the first and second showing of such purchased programme and film rights or amortised over the licence period if the licence allows multiple showings within the licence period. Purchased programme and film rights with a remaining licence period of twelve months or less are classified as current assets.

(g) Self-produced programmes

Self-produced programmes are stated at cost less provision for obsolescence where considered necessary by the Directors. Cost comprises the production costs of the programmes which consist of direct expenditures and an appropriate portion of production overheads. The production costs of the self-produced programmes are charged to the profit and loss account in accordance with a formula computed to write off the cost over their anticipated revenue pattern on an accelerated basis. Revenue estimates are reviewed periodically and amortisation is adjusted, if necessary.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Inventories

Inventories, comprising decoder devices and satellite receivers, are stated at the lower of cost and net realisable value.

Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment.

(k) Deferred income

Deferred income represents advertising revenue and subscription revenue received in advance from third party customers.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(m) Employee benefits *(Continued)*

(iii) Pension obligations

The Group operates defined contribution retirement schemes for the Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes costs charged to the profit and loss account represent contributions payable by the Group to the funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or setting its own retirement benefit schemes (the "Schemes") whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are charged to the profit and loss account as incurred.

(iv) Equity compensation benefits

Pursuant to written resolutions of the shareholders of the Company dated 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company, namely Pre-IPO Share Option Scheme and Share Option Scheme. The options are granted and exercisable in accordance with the terms set out in the relevant schemes and no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium account.

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets, prepayments of purchased programme and film rights and tax losses carried forward. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Deferred taxation *(Continued)*

Prior to the adoption of the revised SSAP 12, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Subsequent to the adoption of the revised SSAP 12, opening accumulated deficits at 1 July 2003 and 2002 have been reduced by approximately HK$113,000 and HK$252,000 respectively, which represent the unrecognised deferred tax assets net of unprovided deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities as at 30 June 2003 by approximately HK$2,224,000 and HK$2,111,000 respectively.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(p) Revenue recognition

Revenue mainly represents income from advertising sales and subscription sales.

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue and other income are recognised on the following bases:

(i) Advertising revenue

Advertising revenue represents the gross value of advertisements broadcast and is recognised when the relevant advertisements are broadcast.

(ii) Subscription revenue

Subscription revenue received or receivable from the cable distributors or agents is amortised on a time proportion basis. Unamortised portion is classified as deferred income.

(iii) Magazine advertising revenue

Magazine advertising revenue represents the value of advertisements printed on the magazines and is recognised when the magazine is published.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Revenue recognition *(Continued)*

(iv) Magazine subscription revenue

Magazine subscription revenue represents subscription money received or receivable from magazine customers and is recognised when the respective magazine is sold.

(v) Sales of decoder devices and satellite receivers

Revenue from sales of decoder devices and satellite receivers is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(vi) Interest income

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

(q) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. They are expensed as incurred.

(r) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Unallocated expenses represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets, interest in a jointly controlled entity and other non-current assets.

In respect of geographical segment reporting, advertising sales or subscription sales are based on the country in which the customer is located. Total assets and capital expenditure are based on the country where the assets are located.

2. REVENUE AND SEGMENT INFORMATION

The Phoenix Group is principally engaged in satellite television broadcasting activities. An analysis of the Phoenix Group's revenue by nature is as follows:

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000*
Revenue		
Advertising sales	**316,011**	632,653
Subscription sales	**22,165**	55,085
Magazine advertising and subscription sales	**5,013**	12,110
Others	**7,158**	10,122
	350,347	709,970
Other revenue		
Exchange gain, net	**834**	2,466
Interest income, net	**1,981**	5,598
Sales of decoder devices, net	**601**	10,470
Sales of programmes	**2,431**	253
Others	**2,111**	2,844
	7,958	21,631
Total revenue	**358,305**	731,601

Primary reporting format – business segments

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.

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Six months ended 31 December 2003					
	Television broadcasting	Programme production and ancillary services	Internet services	Other activities	Inter-segment elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	338,176	2,611	952	8,608	–	350,347
Inter-segment sales	–	9,289	–	–	(9,289)	–
Total revenue	338,176	11,900	952	8,608	(9,289)	350,347
Segment results	9,627	26	(3,571)	(618)	–	5,464
Unallocated expenses *(Note i)*						(42,085)
Loss before taxation and minority interests						(36,621)
Taxation						(2,559)
Loss before minority interests						(39,180)
Minority interests						314
Loss attributable to shareholders						(38,866)
Segment assets	123,008	33,378	24,631	13,579	–	194,596
Unallocated assets						682,700
Deferred tax assets						743
Total assets						878,039
Segment liabilities	(80,979)	(1,474)	(3,362)	(8,091)	–	(93,906)
Profits tax payable						(5,939)
Unallocated liabilities						(64,928)
Deferred tax liabilities						(743)
Total liabilities						(165,516)
Capital expenditure	879	91	93	–	–	1,063
Unallocated capital expenditure						3,170
						4,233
Depreciation	(8,853)	(1,234)	(411)	(67)	–	(10,565)
Amortisation of purchased programme and film rights	(15,664)	–	–	–	–	(15,664)

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Year ended 30 June 2003					
	Television broadcasting *HK$'000*	Programme production and ancillary services *HK$'000*	Internet services *HK$'000*	Other activities *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000* (As restated) *(Note 1n)*
Revenue						
External sales	687,738	1,964	1,374	18,894	–	709,970
Inter-segment sales	–	13,479	–	–	(13,479)	–
Total revenue	687,738	15,443	1,374	18,894	(13,479)	709,970
Segment results	26,606	(4,572)	(10,085)	9,062	–	21,011
Unallocated expenses *(Note i)*						(92,713)
Loss before taxation and minority interests						(71,702)
Taxation						(3,811)
Loss before minority interests						(75,513)
Minority interests						3,150
Loss attributable to shareholders						(72,363)
Segment assets	150,951	89,060	28,564	19,135	–	287,710
Unallocated assets						642,669
Deferred tax assets						2,224
Total assets						932,603
Segment liabilities	(92,304)	(2,109)	(9,443)	(8,052)	–	(111,908)
Profits tax payable						(4,726)
Unallocated liabilities						(61,705)
Deferred tax liabilities						(2,224)
Total liabilities						(180,563)
Capital expenditure	2,641	31,165	461	341	–	34,608
Unallocated capital expenditure						5,955
						40,563
Depreciation	(17,058)	(3,845)	(1,412)	(195)	–	(22,510)
Amortisation of purchased programme and film rights	(43,275)	–	–	–	–	(43,275)

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

Note:

(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.

Secondary reporting format – geographical segments

	Six months ended 31 December 2003		
			Capital
	Turnover	**Total assets**	**expenditure**
	HK$'000	***HK$'000***	***HK$'000***
PRC (including Hong Kong)	**316,904**	**835,406**	**3,833**
United States	**10,912**	**23,233**	**225**
Europe	**5,693**	**17,202**	**24**
Other countries in the Asia Pacific Region	**16,838**	**2,198**	**151**
	350,347	**878,039**	**4,233**

	Year ended 30 June 2003		
			Capital
	Turnover	Total assets	expenditure
	HK$'000	*HK$'000*	*HK$'000*
PRC (including Hong Kong)	641,483	885,168	38,603
United States	19,435	29,194	937
Europe	8,295	15,826	265
Other countries in the Asia Pacific Region	40,757	2,415	758
	709,970	932,603	40,563

3. LOSS FROM OPERATIONS

Loss from operations is stated after charging the following:

	Note	**Six months ended 31 December 2003** *HK$'000*	Year ended 30 June 2003 *HK$'000*
Charging:			
Amortisation costs of purchased programme and film rights		**15,664**	43,275
Production costs of self-produced programmes		**57,914**	87,898
Transponder rental	30(c)	**8,273**	29,400
Provision for doubtful debts		**17,409**	34,469
Staff costs, including Directors' emoluments	8	**99,672**	194,882
Operating lease rental in respect of			
– Directors' quarters		**462**	952
– land and buildings of third parties		**6,412**	13,351
– land and buildings of a related company	30(b)	**–**	257
Cost of inventories		**1,560**	1,732
Depreciation of fixed assets		**10,565**	22,510
Loss on disposal of fixed assets		**87**	998
Auditors' remuneration		**1,218**	1,760

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (year ended 30 June 2003: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000* (As restated) *(Note 1n)*
Current taxation:		
– Hong Kong profits tax	**2,550**	5,065
– Overseas taxes	**9**	49
– Over-provisions of Hong Kong profits tax in the prior year	**–**	(1,303)
Deferred taxation	**–**	–
	2,559	3,811

4. **TAXATION** *(Continued)*

The taxation on the Group's loss before taxation and minority interests differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000* (As restated) *(Note 1n)*
Loss before taxation and minority interests	**(36,621)**	(71,702)
Calculated at a taxation rate of 17.5% (year ended 30 June 2003: 17.5%)	**(6,409)**	(12,548)
Tax effect on income not subject to taxation	**(4,016)**	(10,242)
Tax effect on expenses not deductible for taxation purposes	**7,351**	16,520
Tax losses not recognised	**9,410**	18,888
Utilisation of previously unrecognised tax losses	**(4,044)**	(8,452)
Over-provisions in the prior year	**–**	(1,303)
Provision for overseas operations	**9**	49
Others	**258**	899
Taxation charge	**2,559**	3,811

5. **LOSS ATTRIBUTABLE TO SHAREHOLDERS**

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$342,000 (year ended 30 June 2003: loss of approximately HK$46,312,000).

6. **DIVIDENDS**

No dividend had been paid or declared by the Company during the six months ended 31 December 2003 (year ended 30 June 2003: Nil).

7. **LOSS PER SHARE**

The calculation of basic loss per share is based on consolidated loss attributable to shareholders of HK$38,865,082 (year ended 30 June 2003: HK$72,363,160, as restated), and the 4,931,730,000 weighted average number of ordinary shares outstanding during the six months ended 31 December 2003 (year ended 30 June 2003: 4,931,730,000).

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would have no dilutive effect on loss per share during the six months ended 31 December 2003 and year ended 30 June 2003.

8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000*
Wages, salaries and other allowances	**91,332**	184,097
Unutilised annual leave	**743**	2,692
Pension costs – defined contribution plans, net of forfeited contributions	**7,597**	8,093
	99,672	194,882

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to Directors of the Company during the period/year are as follows:

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000*
Executive Director A:		
Fee	**–**	–
Salaries	**2,026**	4,357
Discretionary bonus	**–**	–
Quarters	**462**	952
Other allowance	**170**	–
Pension fund	**2,584**	–
	5,242	5,309
Executive Director B:		
Fees	**–**	–
Salaries	**833**	1,656
Discretionary bonus	**–**	–
Housing allowance	**439**	869
Other allowance	**139**	137
Pension fund	**83**	166
	1,494	2,828

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

During the six months ended 31 December 2003, no emoluments were paid/payable to the Non-Executive Directors of the Company (year ended 30 June 2003: Nil) and approximately HK$200,000 were paid/payable to two independent Non-Executive Directors of the Company (year ended 30 June 2003: HK$400,000).

The emoluments of the Directors (including an Alternate Director) of the Company fell within the following bands:

	Number of Directors	
	Six months ended 31 December 2003	Year ended 30 June 2003
Emolument bands		
HK$Nil – HK$1,000,000	**10**	9
HK$1,000,001 – HK$1,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$5,000,001 – HK$5,500,000	**1**	1

There was no arrangement under which a Director waived or agreed to waive any remuneration during the six months ended 31 December 2003 and year ended 30 June 2003.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended 31 December 2003 include two (year ended 30 June 2003: two) Executive Directors whose emoluments are reflected in the analysis presented in (a) above. The emoluments paid/payable to the remaining three (year ended 30 June 2003: three) individuals during the six months ended 31 December 2003 are as follows:

	Six months ended 31 December 2003	Year ended 30 June 2003
	HK$'000	*HK$'000*
Fees	**–**	–
Salaries	**2,511**	4,989
Discretionary bonus	**–**	–
Housing allowance	**1,222**	2,422
Other allowance	**418**	413
Pension fund	**251**	498
	4,402	8,322

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments of the remaining three (year ended 30 June 2003: three) individuals fell within the following bands:

	Number of individuals	
	Six months ended 31 December 2003	Year ended 30 June 2003
Emolument bands		
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**–**	2
HK$3,000,001 – HK$3,500,000	**–**	1

During the period/year, no emoluments or incentive payments were paid or payable to any Director or the other employees amongst the five highest paid individuals as an inducement to join the Phoenix Group or as compensation for loss of office.

10. ACCOUNTS RECEIVABLE, NET

	As at 31 December 2003	As at 30 June 2003
	HK$'000	*HK$'000*
Accounts receivable	**72,650**	102,911
Less: Provision for doubtful debts	**(40,212)**	(72,713)
	32,438	30,198

The Phoenix Group conducts its advertising sales primarily through an advertising agent in the PRC, which promotes the sales of the Group's advertising air-time and programme sponsorship and collects advertising revenues within the PRC on behalf of the Group (see note 11). The Group generally requires customers to pay in advance or cash on delivery, but grants a credit period of 30 days to 90 days to some customers. Prior to August 2002, the Group used to grant a credit period of 30 days to 120 days to some customers.

10. ACCOUNTS RECEIVABLE, NET *(Continued)*

As at 31 December 2003, the ageing analysis of the accounts receivable from customers is as follows:

	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000*
0 – 30 days	**18,828**	11,528
31 – 60 days	**8,690**	943
61 – 90 days	**5,135**	1,218
91 – 120 days	**3,215**	1,789
Over 120 days	**36,782**	87,433
	72,650	102,911
Less: Provision for doubtful debts	**(40,212)**	(72,713)
	32,438	30,198

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK$252,606,000 as at 30 June 2003: HK$252,338,000) owing from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou") in the People's Republic of China (the "PRC"). The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears interests at prevailing bank interest rates. As a result of the foreign exchange restrictions in the PRC, the remittances of the amount receivable from Shenzhou to the Phoenix Group are not conducted in fixed repayment terms.

The Group has set up a commercial and trust arrangement with Shenzhou, details of which have been disclosed in the announcement made by the Company on 25 September 2002.

The Trust Law in the PRC however, 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.

12. INVENTORIES

	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000*
Decoders and satellite receivers	**9,187**	10,617

As at 31 December 2003 and 30 June 2003, the carrying amount of inventories are carried at cost.

13. AMOUNTS DUE FROM/TO RELATED COMPANIES

The outstanding balances with related companies are unsecured, non-interest bearing and have no fixed repayment terms.

14. PURCHASED PROGRAMME AND FILM RIGHTS

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000*
Balance, beginning of period/year	**37,330**	42,584
Additions	**12,212**	39,835
Amortisation	**(15,664)**	(43,275)
Disposals and others	**(486)**	(1,814)
Balance, end of period/year	**33,392**	37,330
Less: Purchased programme and film rights – current portion	**(9,259)**	(13,281)
	24,133	24,049

15. FIXED ASSETS, NET

For the six months ended 31 December 2003

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Broadcast operations and other equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 July 2003	**18,124**	**3,018**	**93,978**	**7,259**	**122,379**
Additions	**312**	**90**	**2,939**	**–**	**3,341**
Disposals/Write-off	**–**	**(348)**	**(380)**	**(92)**	**(820)**
Disposal of subsidiaries	**–**	**–**	**(83)**	**(952)**	**(1,035)**
Exchange differences	**36**	**24**	**148**	**4**	**212**
At 31 December 2003	**18,472**	**2,784**	**96,602**	**6,219**	**124,077**
Accumulated depreciation					
At 1 July 2003	**6,819**	**1,335**	**40,664**	**2,706**	**51,524**
Charge for the period	**1,321**	**240**	**8,436**	**568**	**10,565**
Disposals/Write-off	**–**	**(217)**	**(212)**	**(38)**	**(467)**
Disposal of subsidiaries	**–**	**–**	**(22)**	**(247)**	**(269)**
Exchange differences	**11**	**10**	**94**	**2**	**117**
At 31 December 2003	**8,151**	**1,368**	**48,960**	**2,991**	**61,470**
Net book value					
At 31 December 2003	**10,321**	**1,416**	**47,642**	**3,228**	**62,607**
At 30 June 2003	11,305	1,683	53,314	4,553	70,855

16. LAND DEPOSIT AND DEVELOPMENT COSTS

On 11 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 PRC for the development of a building (which includes a production centre) for the Phoenix Group. The total consideration for the acquisition is approximately HK$57,354,000.

During the year ended 30 June 2002, the subsidiary transferred the interest of the land use right to another subsidiary, 深圳鳳凰置業有限公司, a sino-foreign co-operation company incorporated in the PRC, in which Phoenix Real Properties Limited ("Real Properties"), a wholly-owned subsidiary of the Phoenix Group had a 90% equity interest at that time.

Pursuant to the payment terms of the agreement, the full amount of approximately HK$57,354,000 had been paid to the 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau)* as the cost of the land acquisition, and was recorded as a land deposit of Phoenix Group as at 30 June 2003. The increase in value to HK$61,120,000 as at 31 December 2003 represents other relevant costs in connection with the development of the building.

16. LAND DEPOSIT AND DEVELOPMENT COSTS *(Continued)*

Pursuant to an agreement dated 29 October 2003 entered into by the Phoenix Group and Oasiscity Limited ("Oasiscity"), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity shall, inter alia, acquire 60% interest in Real Properties, which owned 90% interest in 深圳鳳凰置業有限公司.

Upon completion of the acquisition of 60% equity interest in Real Properties by Oasiscity, the Phoenix Group shall not be required to provide any further financing for the development of the building and will be entitled to a portion of the non-saleable area. Oasiscity shall be responsible for providing all required financing for the development of the building.

Upon the completion of the development of the building, it is expected that the Group's entitlement to the relevant portion of the non-saleable area will have a value of not less than the current carrying value of approximately HK$61,120,000.

* name translated for reference only

17. INVESTMENT IN AN ASSOCIATED COMPANY

	As at 31 December 2003	As at 30 June 2003
	HK$'000	*HK$'000*
Investment at cost	**–**	–

Details of the associated company as at 31 December 2003 was as follows:

Name	**Place and date of incorporation**	**Place of operation**	**Principal activities**	**Percentage of equity interest held by the Group**	**Issued and fully paid share capital/ registered capital**
China Global Television Limited *(Note)*	British Virgin Islands 18 October 2001	British Virgin Islands	Dormant	50%	US$2

Note: China Global Television Limited remained dormant as at and during the six months ended 31 December 2003.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

During the six months ended 31 December 2003, the Group invested in a jointly controlled entity with an independent third party. The investment cost amounted to RMB500,000 (equivalent to approximately HK$472,000).

Details of the jointly controlled entity as at 31 December 2003 was as follows:

Name	**Place and date of incorporation**	**Place of operation**	**Principal activities**	**Percentage of equity interest held by the Group**
北京翡翠鳳凰文化投資咨詢有限公司	PRC 27 June 2003	PRC	Dormant	40%

The jointly controlled entity remained dormant during the six months ended 31 December 2003.

19. INTERESTS IN SUBSIDIARIES

	Company	
	As at 31 December 2003	As at 30 June 2003
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note i)*	**–**	–
Amount due from a subsidiary, net *(Note ii)*	**1,276,740**	1,277,102
	1,276,740	1,277,102

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(i) Details of subsidiaries as at 31 December 2003 were as follows:

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong 29 November 1999	Hong Kong	Publishing and distribution of periodicals	77%	HK$100
Hong Kong Phoenix Satellite Television Limited	Hong Kong 19 January 2001	Hong Kong	Dormant	100%	HK$2
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands 6 September 1999	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television (B.V.I.) Holding Limited *(Note a)*	British Virgin Islands 28 April 1998	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television (Chinese Channel) Limited	British Virgin Islands 29 June 1998	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Company Limited	Hong Kong 16 November 1995	Hong Kong	Provision of management and related services	100%	HK$20
Phoenix Satellite Television (Europe) Limited	British Virgin Islands 5 July 1999	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television Information Limited	British Virgin Islands 1 September 1999	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television (Movies) Limited	British Virgin Islands 26 June 1998	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Trademark Limited	British Virgin Islands 8 January 1996	British Virgin Islands	Trademark holding	100%	US$1

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Weekly Magazine (BVI) Limited	British Virgin Islands 24 January 2000	British Virgin Islands	Investment holding	100%	US$1
PHOENIXi Investment Limited	British Virgin Islands 28 October 1999	British Virgin Islands	Investment holding	94.3%	US$123,976 (Ordinary shares) US$7,500 (Series A preferred shares)
PHOENIXi, Inc.	The United States of America 3 June 1999	The United States of America	Dormant	94.3%	US$0.1
Phoenix Satellite Television Development (BVI) Limited	British Virgin Islands 6 January 2000	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television Development Limited	Hong Kong 16 April 1999	Hong Kong	Investment holding	100%	HK$2
PCNE Holdings Limited	British Virgin Islands 5 January 2000	British Virgin Islands	Investment holding	70%	US$1,000
Phoenix Satellite Television (Taiwan) Limited	British Virgin Islands 31 August 2000	British Virgin Islands	Programme production	100%	US$1
Phoenix Satellite Television (Universal) Limited	British Virgin Islands 18 July 2000	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television (U.S.) Inc.	The United States of America 7 September 2000	The United States of America	Provision of management and promotional related services	100%	US$1

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Chinese News & Entertainment Limited *(Note b)*	The United Kingdom 12 November 1990	The United Kingdom	Satellite television broadcasting	70%	£9,831,424
Phoenix Global Television Limited	British Virgin Islands 8 October 2001	British Virgin Islands	Investment holding	100%	US$1
Phoenix Glow Limited	British Virgin Islands 14 March 2001	British Virgin Islands	Provision of agency services	100%	US$1
Phoenix Satellite Television Investments (BVI) Limited	British Virgin Islands 2 January 2001	British Virgin Islands	Dormant	100%	US$1
國鳳在線（北京）信息技術有限公司 Guofeng On-line (Beijing) Information Technology Company Limited	PRC 18 April 2000	PRC	Internet services	94.3%	US$500,000
鳳凰影視（深圳）有限公司 Phoenix Film and Television (Shenzhen) Company Limited	PRC 6 March 2000	PRC	Ancillary services for programme production	60%	HK$10,000,000
深圳市梧桐山電視廣播有限公司 Shenzhen Wutong Shan Television Broadcasting Limited	PRC 31 July 2001	PRC	Programme production	54%	RMB5,000,000

(a) Phoenix Satellite Television (B.V.I.) Holding Limited is directly held by the Company, while all other subsidiaries are indirectly held by the Company through Phoenix Satellite Television (B.V.I.) Holding Limited.

(b) Phoenix Chinese News & Entertainment Limited has a financial accounting year of 30 June 2003 which is not coterminous with the Group.

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(ii) Amount due from a subsidiary is unsecured, non-interest bearing and has no fixed repayment terms.

(iii) The Company has undertaken to provide necessary financial resources to support the future operations of the subsidiaries. The Directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31 December 2003.

(iv) Pursuant to an agreement dated 29 October 2003 entered into by the Phoenix Group and Oasiscity, a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity shall, inter alia, acquire 60% interest in Real Properties which owns 90% interest in 深圳鳳凰置業有限公司.

Despite the fact that the formal issuance of shares to Oasiscity has not been completed as at 31 December 2003, it was agreed between the Phoenix Group and Oasiscity that control on the operational and financial decisions on Real Properties and 深圳鳳凰置業有限公司 should pass on 29 October 2003. Accordingly, Real Properties and 深圳鳳凰置業有限公司 were not accounted for as subsidiaries of Phoenix Group since 29 October 2003 (see Note 16).

20. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 31 December 2003	As at 30 June 2003
	HK$'000	*HK$'000*
Accounts payable	**8,834**	7,139
Other payables and accruals	**87,598**	86,954
	96,432	94,093

The ageing analysis of the accounts payable is as follows:

	As at 31 December 2003	As at 30 June 2003
	HK$'000	*HK$'000*
0 – 30 days	**4,559**	4,421
31 – 60 days	**1,226**	264
61 – 90 days	**659**	32
91 – 120 days	**224**	411
Over 120 days	**2,166**	2,011
	8,834	7,139

21. PENSION OBLIGATIONS

The Group operates a number of defined contribution pension schemes in accordance with the respective subsidiaries' local practices and regulations. The Group is obligated to contribute funding to these plans at various funding rates of the employees' salaries. The assets of which are generally held in separate trustee administered funds.

(a) Employees in Hong Kong are provided with a defined contribution provident fund scheme and the Group is required to make monthly contribution to the scheme based on 10% of the employees' basic salaries. Forfeited contributions are used to offset the employer's future contributions. For the six months ended 31 December 2003, the aggregate amount of the employer's contributions was approximately HK$7,347,000 (year ended 30 June 2003: HK$8,530,000). For the six months ended 31 December 2003, the total amount of forfeited contributions was approximately HK$145,000 (year ended 30 June 2003: HK$1,488,000).

The assets of the scheme are held separately from those of the Group and are managed by independent professional fund managers.

Since 1 December 2000, the employees in Hong Kong can elect to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced in 2000. Under the MPF Scheme, the Phoenix Group and each of the employees make monthly contribution to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation.

Both the employer's and the employees' contributions are subject to a cap of monthly relevant income of HK$20,000 for each employee. For those employees with monthly relevant income less than HK$5,000 since 1 February 2003 (year ended 30 June 2003: HK$4,000), the employees' contributions are voluntary.

During the six months ended 31 December 2003, the aggregate amount of employer's contributions made by the Phoenix Group to the MPF Scheme was approximately HK$559,000 (year ended 30 June 2003: HK$1,254,000). For the six months ended 31 December 2003, the total amount of forfeited contributions was approximately HK$164,000 (year ended 30 June 2003: HK$203,000).

(b) Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or setting its own Schemes whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are charged to the profit and loss account as incurred.

22. SHARE CAPITAL

	As at 31 December 2003		As at 30 June 2003	
	Number of shares	**Amount** *HK$'000*	Number of shares	Amount *HK$'000*
Authorised:				
Ordinary share of $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**	4,931,730,000	493,173
Exercise of share options	**–**	**–**	–	–
End of period/year	**4,931,730,000**	**493,173**	4,931,730,000	493,173

23. SHARE OPTIONS

The Company has several share option schemes under which it may grant options to employees of the Phoenix Group (including Executive Directors of the Company) to subscribe for shares of the Company. Options are granted and exercisable in accordance with the terms set out in the relevant schemes. Options granted are not recognised in the financial statements of the Phoenix Group until they are exercised.

Movements of share options during the six months ended 31 December 2003 were as follows:

Date of grant	Exercise period	Subscription price *HK$*	Beginning of period	Granted during the period	Exercised during the period	Lapsed as a result of termination of employment	End of period
14 June 2000	14 June 2001 to 13 June 2010	1.08	46,566,000	–	–	(638,000)	45,928,000
15 February 2001	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	–	1,700,000
10 August 2001	10 August 2002 to 9 August 2011	1.13	12,160,000	–	–	–	12,160,000
20 December 2002	20 December 2003 to 19 December 2012	0.79	2,468,000	–	–	–	2,468,000
			62,894,000	–	–	(638,000)	62,256,000

24. RESERVES

Group

Movements in reserves of the Phoenix Group during the year/period were as follows:

	Group			
	Share premium	**Exchange reserve**	**Accumulated deficit**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2002, as previously reported	824,839	–	(501,494)	323,345
Changes in accounting policy – provision for deferred taxation *(Note 1n)*	–	–	252	252
At 1 July 2002, as restated	824,839	–	(501,242)	323,597
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	801	–	801
Loss attributable to shareholders	–	–	(72,363)	(72,363)
At 30 June 2003	824,839	801	(573,605)	252,035

	Group			
	Share premium	**Exchange reserve**	**Accumulated deficit**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 1 July 2003, as previously reported	**824,839**	**801**	**(573,718)**	**251,922**
Changes in accounting policy – provision for deferred taxation *(Note 1n)*	**–**	**–**	**113**	**113**
At 1 July 2003, as restated	**824,839**	**801**	**(573,605)**	**252,035**
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**–**	**78**	**–**	**78**
Loss attributable to shareholders	**–**	**–**	**(38,866)**	**(38,866)**
At 31 December 2003	**824,839**	**879**	**(612,471)**	**213,247**

24. RESERVES *(Continued)*

Company

Movements in the reserves of the Company during the year/period were as follows:

	Share premium *HK$'000*	Company Retained earnings/ (accumulated deficit) *HK$'000*	Total *HK$'000*
At 1 July 2002	824,839	6,130	830,969
Loss attributable to shareholders	–	(46,312)	(46,312)
At 30 June 2003	824,839	(40,182)	784,657

	Share premium ***HK$'000***	**Company Accumulated deficit** ***HK$'000***	**Total** ***HK$'000***
At 1 July 2003	**824,839**	**(40,182)**	**784,657**
Loss attributable to shareholders	**–**	**(342)**	**(342)**
At 31 December 2003	**824,839**	**(40,524)**	**784,315**

Note: Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders. As at 31 December 2003, in the opinion of the Directors, the Company's reserves available for distribution to shareholders, comprising the share premium account and retained earnings, amounted to approximately HK$784,315,000 (as at 30 June 2003: HK$784,657,000).

25. DEFERRED TAXATION

Deferred taxation for the six months ended 31 December 2003 are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (year ended 30 June 2003: 17.5%).

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK$548,000,000 as at 31 December 2003 (as at 30 June 2003: HK$ 517,000,000) to carry forward against future taxable income. Included in the unrecognised tax loss, approximately HK$529,000,000 have no expiry date and the balance will expire at various dates upto and including 2022.

25. DEFERRED TAXATION *(Continued)*

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the period/year is as follows:

Deferred tax liabilities	Accelerated tax depreciation		Purchased programme and film rights		Total	
	Six months ended 31 December 2003	Year ended 30 June 2003	**Six months ended 31 December 2003**	Year ended 30 June 2003	**Six months ended 31 December 2003**	Year ended 30 June 2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the period/year (As restated, *Note 1n*)	**113**	193	**2,111**	3,994	**2,224**	4,187
Credited to profit and loss account	**(53)**	(80)	**(1,428)**	(1,883)	**(1,481)**	(1,963)
At the end of the period/year	**60**	113	**683**	2,111	**743**	2,224

Deferred tax assets	Tax losses		Accelerated tax depreciation		Purchased programme and film rights		Total	
	Six months ended 31 December 2003	Year ended 30 June 2003	**Six months ended 31 December 2003**	Year ended 30 June 2003	**Six months ended 31 December 2003**	Year ended 30 June 2003	**Six months ended 31 Decembe 2003**	Year ended 30 June 2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the period/year (As restated, *Note 1n*)	**(5,967)**	(8,832)	**3,666**	4,640	**77**	5	**(2,224)**	(4,187)
Charged to profit and loss account	**2,420**	2,865	**(862)**	(974)	**(77)**	72	**1,481**	1,963
At the end of the period/year	**(3,547)**	(5,967)	**2,804**	3,666	**–**	77	**(743)**	(2,224)

26. ADDITIONAL FINANCIAL INFORMATION ON CONSOLIDATED BALANCE SHEET

As at 31 December 2003, the net current assets of the Group amounted to approximately HK$564,191,000 (as at 30 June 2003: HK$598,015,000). On the same date, the total assets less current liabilities was approximately HK$713,266,000 (as at 30 June 2003: HK$754,264,000).

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operations to net cash (outflow)/inflow from operating activities

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000*
Loss from operations	**(44,579)**	(93,333)
Depreciation of fixed assets	**10,565**	22,510
Other income, net	**5,143**	13,567
Exchange gain, net	**834**	2,466
Loss on disposal of fixed assets	**87**	998
Reimbursement of operating and selling, general and administrative expenses by Oasiscity	**(3,596)**	–
(Increase)/decrease in accounts receivable, net	**(2,240)**	85,515
Increase in prepayments, deposits and other receivables	**(5,173)**	(30,455)
Decrease/(increase) in inventories	**1,430**	(9,104)
Increase in amounts due from related companies	**–**	(96)
Decrease in self-produced programmes	**10,180**	5,838
Decrease in purchased programme and film rights	**3,938**	5,254
Increase/(decrease) in accounts payable, other payables and accruals	**2,676**	(10,441)
(Decrease)/increase in deferred income	**(15,213)**	38,499
Decrease in amounts due to related companies	**(1,905)**	(16,854)
Net cash (outflow)/inflow from operating activities	**(37,853)**	14,364

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000*
Share of net assets disposed of		
Fixed assets, net	**766**	–
Land deposit	**57,354**	–
Other non current assets	**2,187**	–
Cash and bank balances	**2,618**	–
Prepayments, deposits and other receivables	**1**	–
Accounts payable, other payables and accruals	**(337)**	–
Minority interests	**(415)**	–
	62,174	–
Less: Land deposit and development costs	**(61,120)**	–
Reimbursement of certain other non-current assets by Oasiscity	**1,054**	–
Reimbursement of operating and selling, general and administrative expenses by Oasiscity	**3,596**	–
Total reimbursement by Oasiscity	**4,650**	–

The subsidiaries disposed of during the period contributed approximately HK$1,212,000 to the Group's net operating cash outflow and utilised approximately HK$420,000 in respect of investing activities.

Analysis of net inflow from disposal of subsidiaries:

	Six months ended 31 December 2003 *HK$'000*	Year ended 30 June 2003 *HK$'000*
Total reimbursement by Oasiscity	**4,650**	–
Cash and bank balances disposed of	**(2,618)**	–
Net inflow from disposal of subsidiaries	**2,032**	–

28. BANKING FACILITIES

As at 31 December 2003, the Group had banking facilities amounted to approximately HK$18,400,000 (as at 30 June 2003: HK$18,300,000). Unused banking facilities as at the same date amounted to approximately HK$10,800,000 (as at 30 June 2003: HK$11,900,000). The facilities are covered by counter indemnities from the Group.

As at 31 December 2003, deposits of approximately HK$3,400,000 (as at 30 June 2003: HK$3,300,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

29. COMMITMENTS

(a) Programme and film rights acquisition

As at 31 December 2003, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$97,302,000 (as at 30 June 2003: HK$122,565,000) of which approximately HK$94,437,000 (as at 30 June 2003: HK$114,596,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited ("STAR Filmed") extending to 27 August 2008 and approximately HK$2,865,000 (as at 30 June 2003: HK$7,969,000) was in respect of programme acquisition agreements with other programme suppliers. Total programme and film rights related commitments are analysed as follows:

	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000*
Not later than one year	**23,148**	25,754
Later than one year and not later than five years	**74,154**	93,293
Later than five years	**–**	3,518
	97,302	122,565

(b) Service charges

As at 31 December 2003, the Group had total committed service charges payable to Satellite Television Asian Region Limited ("STARL") of approximately HK$105,103,000 (as at 30 June 2003: HK$126,676,000) in respect of a service agreement expiring on 30 June 2006. Total committed service charges payable to STARL are analysed as follows:

	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000*
Not later than one year	**41,846**	41,947
Later than one year and not later than five years	**63,257**	84,729
Later than five years	**–**	–
	105,103	126,676

29. COMMITMENTS *(Continued)*

(b) Service charges *(Continued)*

As at 31 December 2003, the Group had committed service charges payable to Fox News Network L.L.C. ("Fox") of approximately HK$2,199,000 (as at 30 June 2003: HK$4,174,000) in respect of a service agreement expiring on 25 July 2004. Total committed service charges payable to Fox are analysed as follows:

	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000*
Not later than one year	**2,199**	3,911
Later than one year and not later than five years	**–**	263
Later than five years	**–**	–
	2,199	4,174

As at 31 December 2003, the Group had committed service fee receivable from ATV of approximately HK$3,246,000 (as at 30 June 2003: HK$3,918,000) in respect of the provision of technical support services and equipment to ATV for the operation of the ATV Home Channel (U.S. version) in the United States. Total future minimum service fees receivable are analysed as follows:

	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000*
Not later than one year	**1,298**	1,306
Later than one year and not later than five years	**1,948**	2,612
Later than five years	**–**	–
	3,246	3,918

(c) Operating lease

As at 31 December 2003, the Group had rental commitments of approximately HK$32,875,000 (as at 30 June 2003: HK$38,298,000) under various operating leases extending to September 2011. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	As at 31 December 2003 *HK$'000*	As at 30 June 2003 *HK$'000*
Not later than one year	**10,961**	11,696
Later than one year and not later than five years	**17,285**	21,288
Later than five years	**4,629**	5,314
	32,875	38,298

29. COMMITMENTS *(Continued)*

(d) Other operating and capital commitments

As at 31 December 2003, the Group had the following additional significant operating and capital commitments:

		As at 31 December 2003 Total future minimum payments payable			As at 30 June 2003
Details of commitments	**Payee**	**Not later than one year** *HK$'000*	**Later than one year and not later than five years** *HK$'000*	**Total commitment** *HK$'000*	Total commitment *HK$'000*
Provision of transponder, uplinking, encoding and electronic programme guide services	British Sky Broadcasting Limited ("BSkyB")	**4,650**	**2,325**	**6,975**	10,137
Provision of data transmission services	PCCW-HKT Network Services Limited	**2,418**	**–**	**2,418**	3,648
Provision of news and datafeed services	The Associated Press Television News Limited	**840**	**1,008**	**1,848**	2,718
Provision of office management services	Rhine Office Investments Ltd, Elbe Office Investments Ltd. and Hutchison Hotel HK Ltd.	**2,401**	**3,701**	**6,102**	7,303
Provision of transponder rental services	卜樂視科技股份有限公司	**1,679**	**–**	**1,679**	3,015
Provision of channel leasing services	Charter Communications	**1,463**	**–**	**1,463**	2,174
Provision of optic fibre transmission services	China Netcom (USA) Operations Limited	**651**	**–**	**651**	1,440
Provision of programming services	Exclusive Production Limited	**405**	**–**	**405**	675
Provision of agency services	東莞市樂天物業發展公司	**250**	**–**	**250**	–
Provision of programme co-ordination services	株式會社中華音像出版	**249**	**–**	**249**	–
		15,006	**7,034**	**22,040**	31,110

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Phoenix Group if the Phoenix Group has the ability, directly or indirectly, to exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Phoenix Group and the parties are subject to common significant influence. Related parties may be individuals or entities.

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

	Notes	**Six months ended 31 December 2003** ***HK$'000***	Year ended 30 June 2003 *HK$'000*
Office premises rental paid/payable to STARL	a, b	**–**	257
Service charges paid/payable to STARL	a, c	**22,116**	82,082
Commission for advertising sales and marketing services paid/payable to STARL	a, d	**1,796**	8,409
Commission for international subscription sales and marketing services paid/payable to STARL	a, e	**1,358**	2,349
Sales of decoder devices to STARL	a, f	**24**	155
Film licence fees paid/payable to STAR Filmed	a, g	**10,172**	20,403
Purchase of broadcast operations and engineering equipment from STARL	a, h	**1,442**	–
Programme licence fees paid/payable to ATVE	i, j	**2,250**	13,236
Sale of a motor vehicle to ATVE	i, k	**–**	323
Service charges paid/payable to ATV	i, l	**360**	219
Service charges received/receivable from ATV	i, m	**651**	1,733
Service charges paid/payable to Fox	n, o	**2,070**	4,132
Service charges paid/payable to BSkyB	p, q	**2,534**	4,996

30. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

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) STARL, STAR Filmed and other STAR TV group companies are wholly-owned subsidiaries of STAR Group Limited, which owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

(b) Office premises rental paid/payable to STARL was determined by reference to the area of space occupied by the Phoenix Group and was proportional to the rental payable by STARL in respect of the area occupied by it under its lease with the landlord. STARL 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 rental is payable to STARL commencing from 15 July 2002.

(c) Service charges paid/payable to STARL covering a wide range of technical services provided to the Phoenix Group are charged based on the terms of the service agreement dated 29 May 2003. The summary of the terms of the service agreement is set out in the section headed "New Star Services Agreement" of the circular of the Company dated 10 June 2003 (the "Circular"). Either fixed fees or variable fees are charged depending on the type of services utilised.

(d) The commission for advertising sales and marketing services paid/payable to STARL is based on 4% – 15% (year ended 30 June 2003: 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 STARL is based on 15% (year ended 30 June 2003: 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.

(f) Sales of decoder devices to STARL 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 Filmed.

(h) Purchases of broadcast operations and engineering equipment from STARL are charged based on terms mutually agreed upon between both parties.

(i) ATVE is a wholly-owned subsidiary of ATV 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 beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly own approximately 46% of ATV as at 31 December 2003. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2003. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

Notes: (Continued)

(j) Pursuant to a programme licensing agreement dated 29 May 2003, the programme licence fees paid/payable to ATVE with respect to a list of programmes as stipulated in the schedule to the agreement are charged at a fixed fee or fees to be mutually agreed. The summary of the terms of the agreement are set out in the section headed "ATV Programme Licensing Agreement" of the Circular.

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

(l) Service charges paid/payable to ATV 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) Service charges received/receivable from ATV cover the following services provided to ATV which are charged based on terms specified in a service agreement:

- the use of floor area for the location of receivers;
- the use of master control room equipment and transmission equipment (including maintenance for daily wear and tear);
- fibre optic transmission; and
- video tapes administration and playout services.

(n) Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd.

(o) 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.

(p) BSkyB is 36.3% owned by The News Corporation Limited which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd.

(q) 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.

31. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 10 March 2004.

CONSOLIDATED RESULTS

	Six months ended 31 December	Year ended 30 June			
	2003	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(As restated)	(As restated)	(As restated)	(As restated)
Results					
Revenue	**350,347**	709,970	685,043	713,687	511,342
Operating expenses	**(321,668)**	(661,238)	(709,700)	(579,421)	(404,181)
Selling, general and administrative expenses	**(73,258)**	(142,065)	(140,356)	(132,974)	(66,393)
(Loss)/profit from operations	**(44,579)**	(93,333)	(165,013)	1,292	40,768
Other income/(expenses), net	**7,958**	21,631	(29,216)	50,566	9,140
(Loss)/profit before taxation and minority interests	**(36,621)**	(71,702)	(194,229)	51,858	49,908
Taxation	**(2,559)**	(3,811)	(3,141)	(1,356)	–
(Loss)/profit before minority interests	**(39,180)**	(75,513)	(197,370)	50,502	49,908
Minority interests	**314**	3,150	(2,346)	3,734	407
(Loss)/profit attributable to shareholders	**(38,866)**	(72,363)	(199,716)	54,236	50,315

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December	As at 30 June			
	2003	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(As restated)	(As restated)	(As restated)	(As restated)
Total assets	**878,039**	932,603	997,806	1,170,170	1,039,799
Total liabilities	**(165,516)**	(180,563)	(171,054)	(148,814)	(152,243)
Minority interests	**(6,103)**	(6,832)	(9,982)	(5,019)	(7,753)
Shareholders' equity	**706,420**	745,208	816,770	1,016,337	879,803

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