鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

鳳 凰 衛 視 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8002)

RESULTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2004

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

The directors of Phoenix Satellite Television Holdings Limited (the "Directors") collectively and individually accept full responsibility for this announcement which includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Phoenix Satellite Television Holdings Limited. The Directors confirm, having made all reasonable 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.

CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

- Revenue for the six months ended 30 June 2004 of approximately HK$568,867,000, a 58.4% rise over the revenue for the same six-month period last year

- Revenue of Phoenix InfoNews for the period was almost ten times that of the same period last year

- The Group made a profit of approximately HK$42,327,000 during the three months ended 30 June 2004

FINANCIAL REVIEW

The revenue of the Group for the six months ended 30 June 2004 reached a record high of approximately HK$568,867,000. This figure represented a significant increase of approximately HK$209,827,000, or 58.4%, over the same period last year. Advertising revenue, which represented 94.2% of the Group's total revenue, recorded an encouraging increase of 68.3% as compared with same period last year, which was largely attributable to the success of the newly implemented multiple agencies model in advertising sales.

Operating costs increased by 22.0% to approximately HK$490,772,000, which was mainly due to the increase of commission expenses incurred by the rise in advertising revenue. The Group's profit from operations and profit attributable to shareholders for the six months ended 30 June 2004 were approximately HK$78,095,000 and HK$82,802,000 respectively, as compared to a loss from operations of approximately HK$43,329,000 and a loss attributable to shareholders of approximately HK$34,071,000 for the same period last year.

Revenue for the first quarter and the second quarter of 2004 were very similar at approximately HK$284,578,000 and HK$284,289,000 respectively. This strongly indicates that the new advertising sales arrangements adopted on the mainland should have a long term, positive impact on the Group.

The Group's results for current period and the same period last year respectively are summarised below:

	Six months ended 30 June	
	2004	2003
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**442,427**	308,683
Phoenix InfoNews Channel	**89,118**	9,232
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**25,442**	29,743
Other businesses	**11,880**	11,382
Group's total revenue	**568,867**	359,040
Operating costs	**(490,772)**	(402,369)
Profit/(Loss) from operations	**78,095**	(43,329)
Profit/(Loss) attributable to shareholders	**82,802**	(34,071)
Earnings/(Loss) per share, Hong Kong cents	**1.68**	(0.69)

COMMENTS ON SEGMENTAL INFORMATION

The table below shows the operating results of our businesses for the six months ended 30 June 2004 and the same period last year:

	Six months ended 30 June	
	2004	2003
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**180,384**	101,366
Phoenix InfoNews Channel	**(5,848)**	(58,696)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(26,336)**	(24,279)
Other businesses	**(2,490)**	(9,818)
Corporate overheads	**(67,615)**	(51,902)
Profit/(Loss) from operations	**78,095**	(43,329)

Revenues from television broadcasting, including both advertising and subscription revenues, continue to be the main income source of the Group, and amounted to approximately HK$556,987,000 (six months ended 30 June 2003: HK$347,657,000) accounting for 97.9% of the Group's revenues for the six months ended 30 June 2004. Compared with the same period last year, revenues from television broadcasting recorded an increase of 60.2%.

The Group's flagship channel, Phoenix Chinese Channel, accounted for 77.8% of the Group's total revenue for the six months ended 30 June 2004 and showed an increase of 43.3% as compared with same period last year. More encouraging was the performance of Phoenix InfoNews Channel. Its revenue increased almost 9.7 times to approximately HK$89,118,000, and operating loss was substantially reduced by 90.0% for the six months ended 30 June 2004 as compared with same period last year.

Results of both Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel, which broadcast across Europe, showed gradual improvement. However, subscription revenue of Phoenix Movies Channel decreased as compared with the same period last year, mainly due to the termination of the minimum guarantee arrangement with an agent in the PRC since July 2003.

The segmental result for television broadcasting recorded a profit of approximately HK$151,937,000 for the six months ended 30 June 2004, as compared to approximately HK$14,594,000 in the same period last year, an impressive jump of 9.4 times.

Revenues from programme production and ancillary services were approximately HK$13,285,000 for the six months ended 30 June 2004, which represented an increase of 18.9% as compared with the same period last year. As a result, the segmental result of programme production and ancillary services recorded a profit of approximately HK$2,600,000 for the six months period ended 30 June 2004 (six months ended 30 June 2003: a loss of approximately HK$3,339,000).

COMMENTS ON SEGMENTAL INFORMATION *(Continued)*

Through various cost management schemes, operating costs of the internet business were reduced while revenue was maintained at a steady level. The segmental result of the internet operations recorded a loss of approximately HK$4,707,000 for the reporting period (six months ended 30 June 2003: a loss of approximately HK$5,870,000), or decreased by 19.8% as compared with same period last year.

Please refer to note 2 to the interim financial statements for a detailed analysis of segmental information.

BUSINESS OVERVIEW AND PROSPECTS

Phoenix has continued to pursue the objective of providing the Chinese audience with fresh and creative programming. Besides producing its own well-established programmes, it is at the same time looking to develop new material that caters to Chinese tastes and interests. Over the next several months, Phoenix will be shooting a new travel programme that will blend adventure with a historical event. This programme, *Zheng He Sails The Western Seas,* features Shaun Weng, the only ethnic Chinese to have circumnavigated the world single-handedly, who will sail his single-mastered vessel, the Albatross (now renamed in Chinese as "鳳凰號"), from China to Africa, following the route taken by the Ming Dynasty Admiral, Zheng He.

Phoenix is also preparing to follow up the success of the beauty pageant it staged last year and will soon be presenting Miss Chinese Cosmos Pageant. While this event will involve many locations across China, the finale will be held in Hong Kong.

Phoenix news coverage has also remained at the forefront of Chinese language news broadcasting, with Phoenix InfoNews continuing to occupy an important place as the most comprehensive provider of international news and financial information in the Chinese media world. Among the important events that Phoenix reported on was the Taiwan election, underscoring its unique role by once again being the only television station with a major mainland audience to broadcast live the inaugural address of Chen Shui-bian, the victor in the Taiwan presidential election, on 20 May 2004.

The addition of Phoenix Chinese Channel and InfoNews Channel to PCCW now Broadband in Hong Kong from 17 August 2004 will significantly increase Phoenix's exposure in the Hong Kong market.

With two continuous profit-making quarters, and investment in cutting edge programming to cater to the interests of the Chinese-speaking market, the prospects for Phoenix over the remainder of this year look very promising. Barring unforeseen circumstances, the board may consider paying a dividend for this financial year.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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 acquired 60% interest in Phoenix Real Properties Limited ("Real Properties"), which owns 90% interest in 深圳鳳凰置業有限公司. The acquisition was completed on 13 January 2004.

On the same date, Oasiscity executed a share charge in favour of the Phoenix Group, under which it charged a 30% equity interest in Real Properties, as security for the due performance of its obligations under the agreement dated 29 October 2003. Pursuant to the agreement, Oasiscity will be responsible for providing all required financing for the development of the building and the Phoenix Group is not required to provide any further financing for the development of the building but will be entitled to a relevant portion of the non-saleable area on completion of the development.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2004.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 30 June 2004 were similar to those of the Group as at 30 June 2003. The aggregate outstanding borrowings of the Group as at 30 June 2004 were approximately HK$8,969,000 representing current accounts with related companies which were unsecured and non-interest bearing (as at 30 June 2003: HK$11,887,000). Such 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 28.7% as at 30 June 2004 (as at 30 June 2003: 24.0%). 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 risk of the Group is considered to be minimal.

CHARGE ON ASSETS

As at 30 June 2004, deposits of approximately HK$3,600,000 (as at 30 June 2003: HK$3,300,000) were pledged with a bank to secure a guarantee given to the landlord of a subsidiary.

Other than the above, the Group did not have any charge on its assets as at 30 June 2004 and 30 June 2003.

CAPITAL STRUCTURE

During the six months ended 30 June 2004, other than the exercise of share options granted (detail as per note 14 and note 15 to the interim financial statements), there is no change in the Company's share capital. As at 30 June 2004, the Group's operations were financed mainly by shareholders' equity.

STAFF

As at 30 June 2004, the Group employed 602 full-time staff (30 June 2003: 596), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes and employee share option scheme. Staff costs for the six months ended 30 June 2004 increased to approximately HK$110,915,000 (six months ended 30 June 2003: HK$101,124,000).

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 INVESTMENTS HELD

During the six months ended 30 June 2004, the Group invested in an unlisted security with an estimated fair value of approximately HK$29,986,000 (six months ended 30 June 2003: Nil).

Save as disclosed above, the Group has not held any significant investment for the six months ended 30 June 2004.

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 16 to the interim financial statements, the Group had no material contingent liabilities as at 30 June 2004 and 30 June 2003.

The Directors of Phoenix Satellite Television Holdings Limited (the "Company") have the pleasure of presenting the unaudited consolidated profit and loss account, condensed consolidated cashflow statement and consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the "Phoenix Group" or the "Group") for the three months and six months ended 30 June 2004 (the "period"), and the unaudited consolidated balance sheet of the Phoenix Group as at 30 June 2004, together with the comparative figures for the corresponding period and relevant date.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2004, 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 5.46 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:

(1) Ordinary shares

Name	Personal interest	Family interest	Corporate interest	Other interest	Total number of shares	Percentage of shareholding
LIU, Changle [1]	–	–	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 30 June 2004.

[1] Being an Executive Director of the Company.

Save as disclosed herein, as at 30 June 2004, 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 5.46 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 details of share options granted by the Company under the Pre-IPO Share Option Scheme to the Directors of the Company and the employees of the Phoenix Group to acquire shares were as follows:

					Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per share *HK$*	Balance as at 1 January 2004	Lapsed during the period	Exercised during the period	Balance as at 30 June 2004
2 Executive Directors:								
LIU, Changle	14 June 2000	14 June 2000 to 13 June 2001	14 June 2001 to 13 June 2010	1.08	5,320,000	–	–	5,320,000
CHUI, Keung	14 June 2000	14 June 2000 to 13 June 2001	14 June 2001 to 13 June 2010	1.08	3,990,000	–	–	3,990,000
98 other employees	14 June 2000	14 June 2000 to 13 June 2001	14 June 2001 to 13 June 2010	1.08	36,618,000	(248,000)	(3,470,000)	32,900,000
Total: 100 employees					45,928,000	(248,000)	(3,470,000)	42,210,000

During the six months ended 30 June 2004, 248,000 options granted to 4 employees lapsed when they ceased their employment with the Phoenix Group.

During the six months ended 30 June 2004, 3,470,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.50.

Save as disclosed above, no option has been 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 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:

					Number of share options			
Type and number of remaining grantees	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price per share** *HK$*	**Balance as at 1 January 2004**	**Lapsed during the period**	**Exercised during the period**	**Balance as at 30 June 2004**
2 employees	15 February 2001	15 February 2001 to 14 February 2002	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	1,700,000
18 employees	10 August 2001	10 August 2001 to 9 August 2002	10 August 2002 to 9 August 2011	1.13	12,160,000	–	(120,000)	12,040,000
5 employees	20 December 2002	20 December 2002 to 19 December 2003	20 December 2003 to 19 December 2012	0.79	2,468,000	–	(166,000)	2,302,000
Total: 25 employees					16,328,000	–	(286,000)	16,042,000

During the six months ended 30 June 2004, 286,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.31.

Save as disclosed above, no option has been 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.

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

PHOENIXi PLAN

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Phoenix Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan"). Under the PHOENIXi Plan, the employees of PHOENIXi, including any Executive Directors, in the full-time employment of PHOENIXi or its subsidiaries or the Company are eligible to take up options to subscribe for shares in PHOENIXi. The summary of the terms of the PHOENIXi Plan are set out in the section headed "Share Option Schemes" of the report for the six months ended 31 December 2003.

As at 30 June 2004, no option 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 may not exceed 10% of the issued share capital of the Company. The terms of the Share Option Scheme were amended on 14 February 2001 and 6 August 2002 respectively, and a summary of the amended Share Option Scheme is set out in the section headed "Share Option Schemes" of the report for the six months ended 31 December 2003.

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.

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

As at 30 June 2004, 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 1)*	412,000,000	8.3%

Note:

1. 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 all 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 has no sponsors since 1 July 2002. Accordingly, no additional disclosure is made.

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 8.3% 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 30 June 2004. He also owns 80% of Dragon Goodwill International Limited, which completed its acquisition of 32.75% interests in ATV on 25 July 2003. ATV is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audiences in Hong Kong, ATV broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the PRC. ATV announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong. ATV is also granted a non-domestic television programme service licence in May 2004, in addition to its existing domestic free television programme service licence.

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 8 to the interim financial statements for the details of the relevant advance to an entity from the Group which exceeds 8% of the Group's total assets.

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in 5.28 to 5.39 of the Rules Governing the Listing of Securities on the Growth Enterprise Market at any time during the six months ended 30 June 2004.

On behalf of the Board

LIU, Changle
Chairman

Hong Kong, 11 August 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2004

		For the three months ended 30 June		**For the six months ended 30 June**	
		2004	2003	**2004**	2003
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	2	**284,289**	185,636	**568,867**	359,040
Operating expenses	18	**(206,740)**	(163,309)	**(412,362)**	(327,126)
Selling, general and administrative expenses	18	**(37,403)**	(40,277)	**(78,410)**	(75,243)
Profit/(loss) from operations	3	**40,146**	(17,950)	**78,095**	(43,329)
Other income					
Exchange gain, net		**639**	664	**1,441**	1,342
Interest income, net		**1,321**	1,040	**2,461**	2,116
Other income, net		**2,323**	2,782	**5,677**	5,788
Profit/(loss) before taxation and minority interests		**44,429**	(13,464)	**87,674**	(34,083)
Taxation	4	**(1,425)**	(1,098)	**(3,846)**	(1,952)
Profit/(loss) before minority interests		**43,004**	(14,562)	**83,828**	(36,035)
Minority interests		**(677)**	1,300	**(1,026)**	1,964
Profit/(loss) attributable to shareholders		**42,327**	(13,262)	**82,802**	(34,071)
Accumulated deficit, beginning of period		**(571,996)**	(560,343)	**(612,471)**	(539,534)
		(529,669)	(573,605)	**(529,669)**	(573,605)
Dividends	5	**–**	–	**–**	–
Accumulated deficit, end of period		**(529,669)**	(573,605)	**(529,669)**	(573,605)
Basic earnings/(loss) per share, Hong Kong cents	6	**0.86**	(0.27)	**1.68**	(0.69)
Diluted earnings/(loss) per share, Hong Kong cents	6	**0.86**	N/A	**1.67**	N/A

CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 30 JUNE 2004

	Note	**As at 30 June 2004** *HK$'000*	As at 31 December 2003 *HK$'000* (Audited)
Current assets			
Cash and bank balances		**421,527**	388,869
Accounts receivable, net	7	**82,600**	32,438
Prepayments, deposits and other receivables	8	**321,358**	277,651
Inventories		**8,358**	9,187
Amounts due from related companies	9	**83**	223
Self-produced programmes		**10,441**	11,337
Purchased programme and film rights, current portion	10	**8,117**	9,259
		852,484	728,964
Non-current assets			
Purchased programme and film rights	10	**24,524**	24,133
Fixed assets, net		**60,364**	62,607
Land deposit and development costs	11	**61,817**	61,120
Interest in a jointly controlled entity		**472**	472
Other investment	12	**29,986**	–
Deferred tax assets		**30**	743
		177,193	149,075
Total assets		**1,029,677**	878,039
Current liabilities			
Accounts payable, other payables and accruals	13	**147,711**	96,432
Deferred income		**61,634**	52,420
Amounts due to related companies	9	**8,969**	9,982
Profits tax payable		**9,770**	5,939
		228,084	164,773
Non-current liability			
Deferred tax liabilities		**30**	743
Total liabilities		**228,114**	165,516
Minority interests		**7,128**	6,103
Capital and reserves			
Share capital	14	**493,549**	493,173
Reserves		**300,886**	213,247
Total shareholders' equity		**794,435**	706,420
Total liabilities and shareholders' equity		**1,029,677**	878,039

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Share capital *HK$'000*	**Share premium** *HK$'000*	**Exchange reserve** *HK$'000*	**Accumulated deficit** *HK$'000*	**Total** *HK$'000*
At 1 January 2003 (unaudited)	493,173	824,839	–	(539,534)	778,478
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	801	–	801
Loss attributable to shareholders	–	–	–	(34,071)	(34,071)
At 30 June 2003	493,173	824,839	801	(573,605)	745,208
At 1 January 2004 (Audited)	493,173	824,839	879	(612,471)	706,420
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	1,198	–	1,198
Exercise of share options	376	3,639	–	–	4,015
Profit attributable to shareholders	–	–	–	82,802	82,802
At 30 June 2004	493,549	828,478	2,077	(529,669)	794,435

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	For the six months ended 30 June 2004 *HK$'000*	For the six months ended 30 June 2003 *HK$'000*
Net cash inflow from operating activities	**67,690**	37,763
Net cash outflow from investing activities	**(39,903)**	(35,067)
Net cash inflow from financing activities	**4,015**	6
Increase in cash and bank balances	**31,802**	2,702
Cash and bank balances, beginning of period	**388,869**	424,815
Effect of foreign exchange rate changes	**856**	522
Cash and bank balances, end of period	**421,527**	428,039

NOTES TO THE INTERIM FINANCIAL STATEMENTS – UNAUDITED

1. Basis of preparation and accounting policies

The Group has changed its financial year end from 30 June to 31 December. Accordingly, these financial statements are presented for the six months ended 30 June 2004 with comparative figures covering the six months ended 30 June 2003.

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

These interim financial statements should be read in conjunction with the financial statements as at and for the six months ended 31 December 2003.

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the financial statements as at and for the six months ended 31 December 2003 except that the Group has applied SSAP 24 "Accounting for investment in Securities" issued by the HKSA after the acquisition of an investment in a security during the current period.

The accounting policy in relation to the investment is set out as follows:

Other investment is carried at fair value. At each balance sheet date, the net unrealised gain or loss arising from the change in fair value of other investment is recognised in the profit and loss account. Profit or loss on disposal of other investment, representing the difference between the net sales proceeds and the carrying amount, is recognised in the profit and loss account.

2. Segmental information

The Group is organised into four main business segments including:

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

(ii) Programme production and ancillary services;

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

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

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

	For the three months ended 30 June											
	Television broadcasting		Programme production and ancillary services		Internet services		Other activities		Inter-segment elimination		Group	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Revenue												
External sales	**277,908**	180,016	**848**	1,033	**506**	445	**5,027**	4,142	**-**	–	**284,289**	185,636
Inter-segment sales	**-**	–	**6,080**	5,422	**-**	–	**-**	–	**(6,080)**	(5,422)	**-**	–
Total revenue	**277,908**	180,016	**6,928**	6,455	**506**	445	**5,027**	4,142	**(6,080)**	(5,422)	**284,289**	185,636
Segment results	**77,950**	9,179	**1,631**	(2,211)	**(2,254)**	(3,294)	**411**	10,211	**-**	–	**77,738**	13,885
Unallocated expenses *(Note a)*											**(33,309)**	(27,349)
Profit/(loss) before taxation and minority interests											**44,429**	(13,464)
Taxation											**(1,425)**	(1,098)
Profit/(loss) before minority interests											**43,004**	(14,562)
Minority interests											**(677)**	1,300
Profit/(loss) attributable to shareholders											**42,327**	(13,262)

2. Segmental information *(Continued)*

	For the six months ended 30 June											
	Television broadcasting		Programme production and ancillary services		Internet services		Other activities		Inter-segment elimination		Group	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Revenue												
External sales	**556,987**	347,657	**1,611**	1,740	**933**	763	**9,336**	8,880	**–**	–	**568,867**	359,040
Inter-segment sales	**–**	–	**11,674**	9,436	**–**	–	**–**	–	**(11,674)**	(9,436)	**–**	–
Total revenue	**556,987**	347,657	**13,285**	11,176	**933**	763	**9,336**	8,880	**(11,674)**	(9,436)	**568,867**	359,040
Segment results	**151,937**	14,594	**2,600**	(3,339)	**(4,707)**	(5,870)	**147**	9,954	**–**	–	**149,977**	15,339
Unallocated expenses *(Note a)*											**(62,303)**	(49,422)
Profit/(Loss) before taxation and minority interests											**87,674**	(34,083)
Taxation											**(3,846)**	(1,952)
Profit/(loss) before minority interests											**83,828**	(36,035)
Minority interests											**(1,026)**	1,964
Loss attributable to shareholders											**82,802**	(34,071)

Note:

(a) Unallocated expenses represent primarily:

- corporate staff costs;
- office rental;
- general administrative expenses; and
- marketing and advertising expenses that relate to the Phoenix Group as a whole.

3. Profit/(loss) from operations

Profit/(loss) from operations is determined after charging the following:

	Three months ended 30 June		**Six months ended 30 June**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Charging:				
Depreciation of fixed assets	**5,873**	5,820	**11,775**	11,563
Loss on disposal of fixed assets	**95**	998	**95**	998
Amortisation costs of purchased programmes and film rights	**5,967**	5,875	**11,903**	15,357
Production costs of self-produced programmes	**23,342**	22,498	**46,680**	44,066
Commission costs included in operating expenses	**93,038**	53,479	**183,540**	102,239

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (six months 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:

	Three months ended 30 June		**Six months ended 30 June**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current taxation				
– Hong Kong profits tax	**1,425**	2,401	**3,831**	3,255
– Overseas taxes	**–**	–	**15**	–
– Over-provisions of Hong Kong profits tax in the prior year	**–**	(1,303)	**–**	(1,303)
Deferred taxation	**–**	–	**–**	–
	1,425	1,098	**3,846**	1,952

4. **Taxation** *(Continued)*

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit/(loss) before taxation and minority interests	**44,429**	(13,464)	**87,674**	(34,083)
Calculated at a taxation rate of 17.5% (six months ended 30 June 2003: 17.5%)	**7,775**	(2,356)	**15,343**	(5,965)
Effect of different tax rate in other countries	**179**	–	**179**	–
Income not subject to taxation	**(1,932)**	(1,472)	**(3,809)**	(4,776)
Expenses not deductible for taxation purposes	**2,263**	4,354	**6,501**	8,836
Tax losses not recognised	**2,009**	1,958	**3,313**	5,179
Utilisation of previously unrecognised tax losses	**(8,488)**	(83)	**(17,315)**	(19)
Others	**(381)**	–	**(381)**	–
Provision for overseas operations	**–**	–	**15**	–
Over-provisions of Hong Kong profits tax in the prior year	**–**	(1,303)	**–**	(1,303)
Taxation charge	**1,425**	1,098	**3,846**	1,952

5. **Interim dividends**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004 (six months ended 30 June 2003: nil).

6. **Earnings/(loss) per share**

The calculation of earnings/(loss) per share and diluted earnings per share are based on unaudited consolidated profit attributable to shareholders for the three months and six months ended 30 June 2004 of approximately HK$42,327,000 and HK$82,802,000 respectively (three months and six months ended 30 June 2003: loss of HK$13,262,000 and HK$34,071,000 respectively).

Earnings/(loss) per share for the three months and six months ended 30 June 2004 is based on the 4,934,831,846 and 4,933,692,198 (three months and six months ended 30 June 2003: 4,931,730,000 and 4,931,730,000) weighted average number of ordinary shares outstanding during the three months and six months ended 30 June 2004 respectively.

Diluted earnings per share is based on the 4,946,814,690 (three months ended 30 June 2004: 4,949,263,190) ordinary shares which is the weighted average number of ordinary shares in issue during the six months ended 30 June 2004 plus the weighted average number of 13,122,492 (three months ended 30 June 2004: 14,431,344) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised. No diluted loss per share for the comparative period is presented as the exercise of the Company's outstanding share options would have had an anti-dilutive effect on loss per share during the three months and six months ended 30 June 2003.

7. Accounts receivable, net

	As at 30 June 2004 *HK$'000*	As at 31 December 2003 *HK$'000* (Audited)
0 – 30 days	**36,710**	18,828
31 – 60 days	**21,894**	8,690
61 – 90 days	**15,282**	5,135
91 – 120 days	**13,871**	3,215
Over 120 days	**35,549**	36,782
	123,306	72,650
Less: Provision for doubtful debts	**(40,706)**	(40,212)
	82,600	32,438

The Group generally requires customers to pay in advance or cash on delivery, and allows 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.

During the three months period ended 30 June 2004, the Group revised its percentage estimates used to determine its bad debt provision. The Group's provision for bad debt expenses for the current period would have been higher by approximately HK$8,900,000 had the original percentage estimates been used.

8. Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables is an amount of approximately HK$295,644,000 (as at 31 December 2003: HK$252,606,000) 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.

9. Amounts due from/to related companies

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

10. Purchased programme and film rights

	Six months ended 30 June 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000* (Audited)
Balance, beginning of period	**33,392**	37,330
Additions	**11,289**	12,212
Amortisation	**(11,903)**	(15,664)
Disposals and others	**(137)**	(486)
Balance, end of period	**32,641**	33,392
Less: Purchased programme and film rights – current portion	**(8,117)**	(9,259)
	24,524	24,133

11. 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)[1] to acquire a land use right for 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 was approximately HK$57,354,000.

During the year ended 30 June 2002, the subsidiary of the Phoenix Group transferred the interest in 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") then owned 90% equity interest. Real Properties was a wholly-owned subsidiary of the Phoenix Group.

Pursuant to the payment terms of the agreement, the full amount of approximately HK$57,354,000 has been paid to the 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau)[1] as the cost of the land use rights acquisition, and was recorded as a land deposit of Phoenix Group as at 30 June 2003. The increase in value to HK$61,817,000 as at 30 June 2004 represents other relevant costs incurred in connection with the development of the building.

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 acquired 60% interest in Real Properties. The acquisition was completed on 13 January 2004.

On the same date, Oasiscity executed a share charge in favour of the Phoenix Group, under which it charged a 30% equity interest in Real Properties, as security for the due performance of its obligations under the agreement dated 29 October 2003. Pursuant to the agreement, Oasiscity will be responsible for providing all required financing for the development of the building and the Phoenix Group is not required to provide any further financing for the development of the building but will be entitled to a relevant portion of the non-saleable area on completion of the development.

11. **Land deposit and development costs** *(Continued)*

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$61,817,000.

[1] name translated for reference only

12. **Other investment**

During the six months ended 30 June 2004, the Group invested in an unlisted security with an estimated fair value of approximately HK$29,986,000.

13. **Accounts payable, other payables and accruals**

	As at 30 June 2004 *HK$'000*	As at 31 December 2003 *HK$'000* (Audited)
Accounts payable	**10,546**	8,834
Other payables and accruals	**137,165**	87,598
	147,711	96,432

An ageing analysis of accounts payable is set out below:

	As at 30 June 2004 *HK$'000*	As at 31 December 2003 *HK$'000* (Audited)
0 – 30 days	**5,858**	4,559
31 – 60 days	**519**	1,226
61 – 90 days	**916**	659
91 – 120 days	**475**	224
Over 120 days	**2,778**	2,166
	10,546	8,834

14. Share capital

	Six months ended 30 June 2004 Number of share	Six months ended 30 June 2004 Amount *HK$'000*	Six months ended 31 December 2003 Number of share	Six months ended 31 December 2003 Amount *HK$'000* (Audited)
Authorised:				
Ordinary share of HK$0.1 each	10,000,000,000	1,000,000	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of period	4,931,730,000	493,173	4,931,730,000	493,173
Exercise of share options *(Note 15)*	3,756,000	376	–	–
End of period	4,935,486,000	493,549	4,931,730,000	493,173

15. Share option scheme

Details of options outstanding as at 30 June 2004 are as follows:

	Number of shares options Pre-IPO Share Option Scheme	Number of shares options Share Option Scheme
As at 1 January 2004	45,928,000	16,328,000
Add: share options granted during the period	–	–
Less: share options exercised during the period	(3,470,000)	(286,000)
Less: share options lapsed during the period	(248,000)	–
As at 30 June 2004	42,210,000	16,042,000

The subscription price per share under the Pre-IPO Share Option Scheme is HK$1.08. The options granted under the Share Option Scheme can be exercised at prices ranging from HK$0.79 to HK$1.99 per share at any time commencing from one year to ten years after the respective dates of grant of the options in accordance with the terms set out in the Annual Report for the year ended 30 June 2002. The options granted are not recognised in the financial statements of the Phoenix Group until they are exercised.

16. Banking facilities

As at 30 June 2004, the Group had banking facilities amounting to approximately HK$18,600,000 (as at 31 December 2003: HK$18,400,000). Unused banking facilities as at the same date amounted to approximately HK$12,600,000 (as at 31 December 2003: HK$10,800,000). The facilities are covered by counter indemnities from the Group.

As at 30 June 2004, deposits of approximately HK$3,600,000 (as at 31 December 2003: HK$3,400,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

17. Commitments – Programme and film rights acquisition

As at 30 June 2004, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$84,622,000 (as at 31 December 2003: HK$97,302,000) of which all (as at 31 December 2003: HK$94,437,000) were in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited ("STAR Filmed") extending to 27 August 2008. As at 31 December 2003 approximately HK$2,865,000 was in respect of programme acquisition agreements with other programme suppliers. Total programme and film rights related commitments are analysed as follows:

	As at 30 June 2004 *HK$'000*	As at 31 December 2003 *HK$'000* (Audited)
Not later than one year	**20,362**	23,148
Later than one year and not later than five years	**64,260**	74,154
	84,622	97,302

18. 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. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or entities.

18. Significant related party transactions *(Continued)*

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2004	2003	**2004**	2003
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Service charges paid/payable to Satellite Television Asian Region Limited ("STARL")	a, b	**13,241**	15,237	**26,368**	35,495
Commission for advertising sales and marketing services paid/payable to STARL	a, c	**135**	1,718	**395**	2,969
Commission for international subscription sales and marketing services paid/payable to STARL	a, d	**674**	609	**1,370**	1,197
Sales of decoder devices to STARL	a, e	**36**	–	**65**	137
Film licence fees paid/payable to STAR Filmed	a, f	**5,090**	5,100	**10,153**	10,201
Programme licence fees to SGL Entertainment Limited ("SGL Entertainment")	a, g	**–**	–	**147**	–
Purchase of broadcast operations and engineering equipment from STARL	a, h	**98**	–	**98**	–
Programme licence fees paid/payable to ATV Enterprises Limited ("ATVE")	i, j	**429**	976	**429**	1,453
Service charges paid/payable to Asia Television Limited ("ATV")	i, k	**–**	61	**32**	102
Service charges received/receivable from ATV	i, l	**326**	1,733	**650**	1,733
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	m, n	**1,146**	1,062	**2,177**	2,085
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	o, p	**1,265**	1,255	**2,505**	2,424
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	q, r	**787**	–	**1,190**	–

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

(c) The commission for advertising sales and marketing services paid/payable to STARL is based on 15% (six months 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.

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

(e) Sales of decoder devices to STARL are charged based on terms mutually agreed upon between both parties.

(f) The film licence fees are charged in accordance with a film rights acquisition agreement with STAR Filmed.

(g) Programme license fees to SGL Entertainment are charged based on terms specified in a license agreement.

(h) Purchase of broadcast operations and engineering equipment from STARL are charged based on terms mutually agreed 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 owns approximately 46% of ATV as at 30 June 2004. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 30 June 2004. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

(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 of 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.

18. Significant related party transactions *(Continued)*

Notes: (Continued)

(k) 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.

(l) 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.

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

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

- granting of non-exclusive and non-transferable licence to subscribe for Fox's news service;
- leasing of office space and access to workspace, subject to availability; and
- accessing Fox's camera hook up at the United Nations, interview positions in various places in the United States and live shots from Fox's satellite truck positions for events that Fox is already covering, subject to availability.

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

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

- transponder rental;
- uplinking services; and
- encoding and electronic programme guide services.

(q) DIRECTV is an associate of The News Corporation Limited which indirectly owned 100% of Xing Kong Chuan Mei Group Co., Ltd.

(r) Service charges received/receivable from DIRECTV are charged based on terms specified in a service agreement.

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.)