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 YEAR ENDED 30 JUNE 2003

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

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

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

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

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

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

FINANCIAL SUMMARY

- Revenue of the Group increased to approximately HK$709,970,000, which represented a rise of 3.6% over the previous financial year.

- On a quarter-to-quarter comparison, revenue increased by 7.1% and loss from operations decreased by 29.3% for the three months ended 30 June 2003 compared with the previous quarter.

- Operating costs for the year dropped to approximately HK$803,303,000, representing a 5.5% decrease.

- The moderate increase of revenue, together with the savings in operating costs, led to a 43.4% decrease in loss from operations. Loss attributable to shareholders decreased by 63.8% to approximately HK$72,224,000.

- Loss per share was recorded at HK1.46 cents compared with HK4.05 cents in the previous year.

RESULTS

	Year ended 30 June	
	2003	2002
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**616,449**	618,464
Phoenix InfoNews Channel	**17,881**	15,182
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**53,408**	33,520
Other businesses	**22,232**	17,877
Group's total revenue	**709,970**	685,043
Operating costs	**(803,303)**	(850,056)
Loss from operations	**(93,333)**	(165,013)
Loss attributable to shareholders	**(72,224)**	(199,716)
Loss per share, Hong Kong cents	**(1.46)**	(4.05)

CHAIRMAN'S STATEMENT

I am pleased to present to you the 2002/2003 annual results for Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" or "Phoenix").

BUSINESS OVERVIEW

Television Broadcasting

During the 2002/2003 financial year, Phoenix focused on three priorities: improving the quality of the programming delivered on all its channels, especially with a view to establishing InfoNews as a major channel in China; expanding awareness of the Phoenix brand name across the Greater China region and beyond; and taking measures to maximise the efficiency of operations and thereby reduce costs. This approach has already begun to produce positive results, with the financial results for the year maintaining the healthy trend of recent years.

The most important development for Phoenix during this year was the decision by the Chinese State Administration of Radio, Film and Television ("SARFT") to grant landing rights to Phoenix InfoNews Channel. In the light of that decision, Phoenix has sought to maximise the appeal of InfoNews, both by introducing new programming and by ensuring that it was the premier Chinese-language news service reporting on major issues such as the Iraq war and the SARS outbreak.

Phoenix has also devoted considerable effort to expanding awareness of the Phoenix brand name. This has been done by Phoenix representatives addressing key media events such as the annual CASBAA and News World Asia conferences by ensuring that Phoenix played a prominent part in other key public events such as the World Conference of Accountants which was held in Hong Kong, and also by continuing to develop Phoenix website and Phoenix Weekly Magazine. The success of these efforts was reflected in the fact that Phoenix was the only media organisation to be featured in *Brand Warriors China*, a comprehensive study by British and French experts of the evolution of brand names in today's China.

These efforts to raise the quality of Phoenix's programming and popular awareness of Phoenix have been complemented by a consistent focus on cost reduction, which has led to the continued improvement of the Group's overall financial performance.

The Channels

Phoenix Chinese Channel

Phoenix Chinese Channel continued to be the flagship of the Group, and generated 86.8% of the Group's revenue over this financial year. According to figures released in a survey conducted by the CCTV Central Viewer Survey and Consulting Center for the first and second quarters of 2002, Phoenix Chinese Channel has the ninth largest audience out of the 53 nation-wide broadcasters and ranks second in terms of audience satisfaction. This makes Phoenix Chinese Channel the most popular foreign broadcaster in China. Phoenix Chinese Channel continued to work to maintain its audience appeal by generating original programming, including *A Passage To Africa*, which explored different aspects of African culture and society, *China Town*, a series that focused on the overseas Chinese communities found through the Asia Pacific and the West, and *Summary of Press*, a highly popular programme reporting on what daily newspapers from around the world say.

Phoenix InfoNews Channel

The prospects for Phoenix InfoNews improved dramatically in January 2003 when SARFT granted InfoNews landing rights in China. This development provided the basis for InfoNews to become a major revenue-earner in the Phoenix Group, and during the six months following the SARFT decision it has already made significant progress towards attracting serious sponsors and advertisers.

InfoNews continues to provide a comprehensive menu of news and information on world events, current affairs and financial developments. InfoNews carried 25 days of reporting on the Iraq war. During the conflict in Iraq, InfoNews drew on a team of reporters in Washington, New York, Baghdad, Kuwait and at the Allied Central Command headquarters in Qatar, which provided the basis for the graphic and real-time coverage of the war. InfoNews also augmented its coverage of the war by drawing on a range of experts on international relations and military affairs to provide authoritative analysis of the course of the conflict.

InfoNews' first hand live coverage of other major international events, such as the hostage crisis in Moscow and the SARS outbreak in Hong Kong, mainland China and Taiwan, covering both the medical and political dimensions of the pandemic, received great acclaim from the audience.

In order to enhance its appeal, InfoNews has developed a series of new programmes, including *Current Affairs Debate*, which draws on a panel of Chinese and foreign commentators to discuss contemporary issues.

Phoenix Movies Channel

Phoenix Movies Channel is in its fifth year of operation as an encrypted pay-television service and continues to provide mainstream entertainment to Chinese audiences.

Phoenix North America Chinese Channel

Phoenix North America Chinese Channel, which now broadcasts on both DirecTV and EchoStar, continues to improve both its subscription figures and its advertising income. It is now sharing the same programming with Phoenix Chinese News and Entertainment Channel that is specifically designed to appeal to overseas Chinese audience.

Phoenix Chinese News and Entertainment Channel

Phoenix Chinese News and Entertainment Channel, which is based in London and broadcasts across Europe, began twenty-four hour broadcasting from the beginning of the 2002/2003 financial year.

Shenzhen Production Centre

Phoenix has identified a partner with property developing experience who could undertake the development of this project jointly with the Group and is in the process of finalizing the terms of the agreement with such partner.

Internet Development

Phoenix website, *www.phoenixtv.com*, remained popular with Chinese internet users, who access it both for the news service and the opportunity to provide feedback on Phoenix programming and personalities.

Phoenix Weekly Magazine

Like Phoenix website, *Phoenix Weekly Magazine* has played an important role in building up brand awareness of Phoenix across China. *Phoenix Weekly Magazine* has carried some unique accounts of current affairs in China, including background information about some of the financial scandals that occurred over the last year. It has also published some important material on twentieth century Chinese history, making it a valuable resource for anyone interested in contemporary Chinese developments. Advertising revenue provides the main source of revenue for *Phoenix Weekly Magazine*.

PROSPECTS

Phoenix's financial prospects have improved considerably over the past year, partly due to the various cost-saving measures implemented during this financial year, the details of which have been set out in the third paragraph of the Financial Review section, and partly due to a range of other factors. But three factors in particular stand out. Firstly, Phoenix Chinese Channel, which has been the source of revenue for the Group, has continued to perform at a consistent level despite a difficult economic environment complicated by the war in Iraq and the outbreak of SARS in the Greater China region. The Chinese Channel's performance underscores that it is a highly marketable product and Phoenix will continue to allocate substantial resources in maintaining its competitiveness.

Secondly, Phoenix InfoNews has received landing rights on the mainland, which greatly improves the prospect of advertising on InfoNews becoming a major source of income. Since it began broadcasting in 2001, InfoNews has been a considerable part of Phoenix's operating expenses, and once InfoNews has an established and documented place in the Chinese market, it will be able to generate considerable advertising revenue. This should lead to a fundamental strengthening in Phoenix's financial position. We also plan to focus extensive resources on raising the quality of InfoNews reporting and coverage of international events during the coming year, ensuring that it has maximum appeal to the Chinese-speaking audience.

Thirdly, the global economy is showing signs of undergoing a cyclical improvement while the Chinese economy, which is the source of a large proportion of Phoenix revenue, continues to perform well.

In the light of these factors, we are confident that Phoenix will perform increasingly well in the coming financial year, with a very good chance of breaking even and beginning to generate a profit. We are keenly aware that the mainland television market is becoming more competitive, with many broadcasters adopting the modern approach to programming and reporting that Phoenix has introduced to the Chinese audience, and Phoenix is continuing to explore ways to improve the quality of our programming and the speed, accuracy and comprehensiveness of our news reporting. Phoenix is thus confident that it will be able to improve its position within the Chinese media market.

Acknowledgement

On behalf of the Board, I would like to thank the staff of Phoenix for the dedication and professionalism they have displayed during the past year, which has been marked by serious challenges. In particular I would like to commend those members of the Phoenix team who overcame serious difficulties and at times confronted physical danger in the course of reporting on the Iraq war and the SARS epidemic. Their contribution ensured that Phoenix could lay claim to being a comprehensive and globally-oriented Chinese-language news service, providing its audience with timely and accurate reporting on major developments. I am confident that the commitment of the staff to Phoenix will remain strong and will continue to make a major contribution to Phoenix's success in the coming years.

FINANCIAL REVIEW

Revenue of the Group for the year ended 30 June 2003 was approximately HK$709,970,000 (2002: HK$685,043,000), which represented a moderate increase of 3.6% as compared with the previous financial year.

Advertising revenue, which represented 89.1% of the Group's total revenue, had a marginal increase of 0.7% as compared with the previous financial year. The growth of total revenue was mainly attributable to the increase in subscription revenues from Phoenix Movies Channel and Phoenix North America Chinese Channel.

Operating costs for the year ended 30 June 2003 were approximately HK$803,303,000 (2002: HK$850,056,000), representing a 5.5% decrease, which reflected the result of the various cost-saving measures implemented in this financial year. The launch of new channels led to an increase in demand for services such as the promo production, outdoor shooting and studio operations and management. Starting from July 2002, Phoenix gradually produced these services in-house that were previously outsourced and benefit from the economies of scale. Other measure include the rationalization in certain technical aspects of the Group's operations, for example, terminating the analogue satellite transmission of the Phoenix Chinese Channel and transmitting a single signal via fibre optic from Hong Kong to both Phoenix North America Chinese and Phoenix Chinese News and Entertainment channels.

It is worth mentioning that with a tighter credit control policy introduced in August 2002, in particular, strict compliance with the policy of "payment before broadcast", the accounts receivable reduced substantially to approximately HK$30,198,000 (2002: HK$115,713,000), or by 73.9%. The Phoenix management has no doubt that this approach lays the foundation for a more sound long-term financial position.

The moderate increase in revenue, together with the savings in operating costs, led to a decrease of 43.4% in loss from operations as compared with the previous financial year. Loss attributable to shareholders also decreased by 63.8% to approximately HK$72,224,000 (2002: HK$199,716,000).

	Three months ended	
	30-Jun-03	31-Mar-03
	HK$'000	*HK$'000*
Revenue	**185,635**	173,404
Loss from operations	**(17,950)**	(25,380)
Loss attributable to shareholders	**(13,123)**	(20,809)

Comparing the three months period ended 30 June 2003 with previous quarter, revenue of the Group increased by 7.1%. There were satisfactory improvements in both loss from operations and loss attributable to shareholders, which decreased by 29.3% and 36.9% respectively.

Loss per share was recorded at HK1.46 cents (2002: HK4.05 cents).

COMMENTS ON SEGMENTAL INFORMATION

Operating results by business

The table below shows the comparison of operating results of our businesses for the financial year ended 30 June 2003 and 2002.

	Year ended 30 June	
	2003	2002
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**203,420**	177,521
Phoenix InfoNews Channel	**(118,951)**	(154,662)
Phenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(61,842)**	(68,853)
Other businesses	**(17,255)**	(18,092)
Corporate overheads	**(98,705)**	(100,927)
Loss from operations	**(93,333)**	(165,013)

Revenues from television broadcasting, comprising of both advertising and subscription revenues, amounted to approximately HK$687,738,000 (2002: HK$667,166,000) or accounted for 96.9% of the Group's total revenue for the year ended 30 June 2003. Compared with the previous financial year, there was a slight increase of 3.1%.

Revenue from the Group's flagship channel, Phoenix Chinese Channel, decreased marginally by 0.3% to approximately HK$616,449,000 (2002: HK$618,464,000) as compared with the previous financial year, representing 86.8% of the Group's total revenue (2002: 90.3%). The drop in actual figure was minimal and the drop in percentage was due to the increase in total revenue triggered by the improved performance of the new channels. Phoenix InfoNews Channel, which was granted the PRC landing right at the end of December 2002, had strengthened its programming and placed great emphasis on expanding the channel's viewership for the last two quarters. Its revenue increased by 17.8% to approximately HK$17,881,000 (2002: HK$15,182,000) for the year ended 30 June 2003. For the same period, both Phoenix Movies Channel and Phoenix North America Chinese Channel achieved satisfactory growth in subscription revenue and contributed positively to the Group's total revenue, while Phoenix Chinese News and Entertainment Channel maintained a steady performance.

The segmental result for television broadcasting recorded a profit of approximately HK$26,606,000 for the year ended 30 June 2003 (2002: loss of HK$89,920,000). Such improvement was mainly attributable to the combined effect of the above-mentioned increase in advertising and subscription revenues, and the decrease in operating costs. In addition, the previous financial year's segmental loss included a substantial non-recurring impairment charge of goodwill of Phoenix Chinese News and Entertainment Channel, which amounted to HK$44,700,000.

Revenue from programme production and ancillary services was approximately HK$15,443,000 for the year ended 30 June 2003, which represented an 11.8% decrease as compared to previous year. Accordingly, the segmental loss was widened to HK$4,572,000 (2002: HK$1,196,000).

The performance of the internet services was similar to the previous financial year, while revenue from other activities, including advertising and subscription revenue from magazine distribution and handling income from television subscription, increased to approximately HK$18,894,000, or by 25.2% as compared with the previous financial year. This increase was mainly contributed by the new subscribers' handling income of Phoenix North America Chinese Channel.

Segmental loss for the internet services was approximately HK$10,085,000, represented a decrease of 8.4% as compared with previous financial year. Such reduction in loss was mainly attributable to the reduction in operating costs. Segmental result for other activities record a profit of approximately HK$9,062,000 for the current financial year, as compared with a loss of approximately HK$6,673,000 in the previous financial year. Such improvement was mainly attributable to a one-off project that our US operations team had conducted for CCTV.

Please refer to note 2 to the accounts for a detailed analysis on segmental information and the television broadcasting section under the "Business Review" in the Annual 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 (2002: Nil).

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 30 June 2003.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 30 June 2003 were similar to those of the Group as at 30 June 2002. The aggregate outstanding borrowings of the Group as at 30 June 2003 were approximately HK$11,887,000 (2002: HK$28,741,000), 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 (including minority interests) to shareholders' equity, was 24.9% (2002: 21.7%) as at 30 June 2003. 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 30 June 2003, deposits of approximately HK$3,300,000 (2002: HK$2,900,000) 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 30 June 2003 and 30 June 2002.

CAPITAL STRUCTURE

During the year ended 30 June 2003, there is no change in the Company's share capital. As at 30 June 2003, the Group's operations were financed mainly by shareholders' equity.

STAFF

As at 30 June 2003, the Group employed 596 full time staff (2002: 487), 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 year ended 30 June 2003 increased to approximately HK$194,882,000 (2002: HK$180,904,000). The increase in staff costs was in line with our expectation as more staff were employed for providing more cost-efficient internal services instead of out-sourcing.

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 year ended 30 June 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 26 to the accounts, the Group had no material contingent liabilities as at 30 June 2003 and 30 June 2002 respectively.

REPORT OF THE DIRECTORS

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 year ended 30 June 2003.

PRINCIPAL ACTIVITIES AND OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 17 to the accounts.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 32.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$17,000 (2002: HK$98,000).

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 20 and note 21 respectively to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2003, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$784,657,000 (2002: HK$830,969,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 67.

DIRECTORS

The Directors during the year were:

Executive Directors:

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

Non-Executive Directors:

MURDOCH, James Rupert	
CHURCHILL, Bruce Barrett	(Alternate Director to LAU, Yu Leung John and CHEUNG, Chun On Daniel)
LAU, Yu Leung John	(Alternate Director to MURDOCH, James Rupert, CHURCHILL, Bruce Barrett and CHEUNG, Chun On Daniel)
CHEUNG, Chun On Daniel	(Alternate Director to MURDOCH, James Rupert, CHURCHILL, Bruce Barrett and LAU, Yu Leung John)
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)

CHURCHILL, Bruce Barrett resigned as a Non-Executive Director on 31 July 2003. GUTHRIE, Michelle Lee was appointed as a Non-Executive Director on the same date.

In accordance with the Articles of Association of the Company, GUTHRIE, Michelle Lee, CHEUNG, Chun On Daniel and LAU, Yu Leung John will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors of the Company has entered into a service contract with the Company commencing from 30 June 2000. The term of each agreement will be for a term of three years commencing from 30 June 2000 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.

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2003, the interests of the Directors and chief executive 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:

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 30 June 2003.

* *Being an Executive Director of the Company.*

Save as disclosed herein, as at 30 June 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 scheme of the Company

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

(1) Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme as at 30 June 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 10 September 2003 respectively.

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 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 2002	Lapsed during the year	Exercised during the year	Balance as at 30 June 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
106 other employees	14 June 2000	14 June 2001 to 13 June 2010	1.08	43,714,000	(6,458,000)	–	37,256,000
Total: 108 employees				53,024,000	(6,458,000)	–	46,566,000

During the year ended 30 June 2003, 6,458,000 options granted to 12 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 year.

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 30 June 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 such limit.

(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 does 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 annual 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 2002	Granted during the year	Lapsed during the year	Exercised during the year	Balance as at 30 June 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	12,860,000	–	(700,000)	–	12,160,000
5 employees	20 December 2002	20 December 2003 to 19 December 2012	0.79	–	2,866,000	(398,000)	–	2,468,000
Total: 25 employees				14,560,000	2,866,000	(1,098,000)	–	16,328,000

During the year ended 30 June 2003, 1,098,000 options granted to 3 employees lapsed. 2,866,000 options were granted to 6 employees on 20 December 2002. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.79.

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

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 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 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 year 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 30 June 2003:

Purpose of the scheme

The purposes of the PHOENIXi Plan are to attract and retain the best available personnel, providing additional incentive to its employees and Executive Directors and promoting 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 a 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 30 June 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% (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.

The Company had received a waiver from the Stock Exchange regarding the strict compliance with Rule 23.02(2) of the GEM Listing Rules so that the total number of Shares available for issue under the options granted may increase up to 30% of the issued share capital of the Company from time to time. Please refer to the paragraph "Share Option Schemes" under the section headed "Waivers from compliance with the GEM Listing Rules and Companies Ordinance" set out in the Prospectus.

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 year 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 year or at any time during the year.

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 year.

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

As at 30 June 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. (formerly known as STAR Television Holdings Limited) *(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 a subsidiary of The News Corporation Limited ("News Corporation"). The remaining interests in News Publishing Australia Limited, are held by companies which are ultimately owned by 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	8.4%

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. By virtue of the SFO, 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 year.

SPONSORS' INTERESTS

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

CONNECTED TRANSACTIONS

1. The Stock Exchange has granted waivers to the Phoenix Group from the full disclosure requirements under Chapter 20 of the GEM Listing Rules in respect of connected transactions with Satellite Television Asian Region Limited ("STARL"), STAR TV Filmed Entertainment Limited ("STAR Filmed") and other subsidiaries or associates of Xing Kong Chuan Mei Group Co., Ltd., and ATV Enterprises Limited.

   (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 year ended 30 June 2003, the service charges paid/payable to STARL amounted to approximately HK$82,082,000, which was calculated under normal commercial terms (i) mutually agreed upon between both parties or (ii) specified under the executed service agreements and agreed rates between a subsidiary of the Company and STARL. Such amount did not exceed the annual cap of HK$178,000,000 under the waiver.

      (ii) STARL acts as an exclusive advertising agent for the Phoenix Group at all territories outside the People's Republic of China ("PRC"). For the year ended 30 June 2003, commission for advertising sales and marketing services paid/payable to STARL amounted to approximately HK$8,409,000, which was calculated based on 4-20% 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$25,000,000 under the waiver.

      (iii) STARL acts as an agent to promote international subscription sales and marketing services for the Phoenix Group. For the year ended 30 June 2003, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK$2,349,000, 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$2,500,000 under the waiver.

(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 year ended 30 June 2003, the film licence fees paid/payable to STAR Filmed amounted to approximately HK$20,403,000, 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 under the waiver.

(c) ATV Enterprises Limited, a wholly-owned subsidiary of Asia Television Limited ("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 30 June 2003. He also owns 80% of Dragon Goodwill International Limited, which has recently 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 ATV Enterprises Limited. For the year ended 30 June 2003, programme licence fees paid/payable to ATV Enterprises Limited amounted to approximately HK$13,236,000, which were charged under normal commercial terms and were negotiated on a case-by-case basis. Such amount did not exceed the annual cap of HK$57,500,000 under the waiver.

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 June 2001 in compliance with Chapter 20 of the GEM Listing Rule. For the year ended 30 June 2003, the service charges paid/payable to Fox amounted to approximately HK$4,132,000, 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 year ended 30 June 2003, the transponder rental and uplink costs paid/payable to BSkyB amounted to approximately HK$4,996,000, 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 26 June 2002.

4. For the year ended 30 June 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$219,000 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. Prior to 15 July 2002, a subsidiary of the Company leased certain office premises from STARL. For the year ended 30 June 2003, the office premises rental paid/payable to STARL amounted to approximately HK$257,000, which was calculated 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.

   This lease is a connected transaction but falls within Rule 20.24 of the GEM Listing Rules as the annual total consideration or value of the transaction (when aggregated or treated on an individual basis) 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 reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

   Pursuant to a tenancy agreement dated 6 February 2003 between the Group and the 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.

6. During the year ended 30 June 2003, decoder devices sold to STARL amounted to approximately HK$155,000, 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.

7. During the year ended 30 June 2003, a motor vehicle of approximately HK$323,000 was sold to ATV Enterprises Limited, which was charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.23 of GEM Listing Rules as the 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.

8. Pursuant to an agreement dated 29 May 2003, 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 years ended 30 June 2002 and 2003, the service fees received/receivable from the provision of technical support services and equipment to ATV were approximately HK$583,000 and HK$1,150,000 respectively. The transaction commenced in January 2002 and the negotiation between both parties continued for a considerable period of time before the final agreement was entered into on 29 May 2003. Consequently, the aggregate amount of approximately HK$1,733,000 received/receivable from ATV was recorded in the accounts of the Phoenix Group for the year ended 30 June 2003.

This is a non-exempt connected transaction which falls within Rule 20.26 of the GEM Listing Rules, and are subject to the announcement, approval of the independent shareholders and other reporting requirements set out in rules 20.34 to 20.36 of the GEM Listing Rules. This transaction was announced on 29 May 2003 and approved, confirmed and rectified by the independent shareholders on 26 June 2003.

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.

Pursuant to the ordinary resolutions passed at the Extraordinary General Meeting of the Company held on 26 June 2003, the Group has entered into new arrangements in respect of connected transactions with STARL, ATV Enterprises Limited and ATV commencing from 1 July 2003, details of which have been disclosed in the circular of the Company dated 10 June 2003.

MAJOR CUSTOMERS AND SUPPLIERS

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

	2003	2002
Sales		
– the largest customer	**2%**	2%
– five largest customers	**10%**	9%
Programme purchases		
– the largest supplier	**33%**	25%
– five largest suppliers	**52%**	55%

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 28 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.

ATV Enterprises Limited, 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 ATV Enterprises Limited are set out in note 28 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 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. He also owns 80% of Dragon Goodwill International Limited, which has recently 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 30 June 2003. He also owns 80% of Dragon Goodwill International Limited, which has recently 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 year.

AUDITORS

The accounts in respect of financial years ended 30 June 2000 and 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 year ended 30 June 2002 were audited by PricewaterhouseCoopers.

The accounts for the financial year ended 30 June 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 September 2003

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 32 to 66 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 30 June 2003 and of the loss and cash flows of the Group for the year 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 September 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2003

	Note	**2003** **HK$'000**	2002 HK$'000
REVENUE	2	**709,970**	685,043
OPERATING EXPENSES	28	**(661,238)**	(709,700)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	28	**(142,065)**	(140,356)
LOSS FROM OPERATIONS	3	**(93,333)**	(165,013)
OTHER INCOME (EXPENSES)			
Provision for impairment of goodwill		**–**	(44,700)
Amortisation of goodwill		**–**	(2,485)
Exchange gain, net		**2,466**	1,067
Interest income, net		**5,598**	12,875
Other income, net		**13,567**	4,027
		21,631	(29,216)
LOSS BEFORE TAXATION AND MINORITY INTERESTS		**(71,702)**	(194,229)
TAXATION	4	**(3,672)**	(3,141)
LOSS BEFORE MINORITY INTERESTS		**(75,374)**	(197,370)
MINORITY INTERESTS		**3,150**	(2,346)
LOSS ATTRIBUTABLE TO SHAREHOLDERS		**(72,224)**	(199,716)
ACCUMULATED DEFICIT, beginning of year		**(501,494)**	(301,778)
DIVIDENDS	6	**–**	–
ACCUMULATED DEFICIT, end of year		**(573,718)**	(501,494)
BASIC LOSS PER SHARE, Hong Kong cents	7	**(1.46)**	(4.05)
DILUTED LOSS PER SHARE, Hong Kong cents	7	**N/A**	N/A

CONSOLIDATED BALANCE SHEET
As at 30 June 2003

	Note	**2003** *HK$'000*	2002 *HK$'000*
Current assets			
Cash and bank balances	26	**428,039**	451,327
Accounts receivable, net	10	**30,198**	115,713
Prepayments, deposits and other receivables	11	**272,479**	242,024
Inventories	12	**10,617**	1,513
Amounts due from related companies	13	**223**	127
Self-produced programmes		**21,517**	27,355
Purchased programme and film rights, current portion	14	**13,281**	14,308
		776,354	852,367
Non-current assets			
Purchased programme and film rights	14	**24,049**	28,276
Fixed assets, net	15	**70,855**	83,799
Land deposit	16	**57,354**	29,177
Other non-current assets		**1,767**	–
		154,025	141,252
Total assets		**930,379**	993,619

	Note	**2003**	2002
		HK$'000	*HK$'000*
Current liabilities			
Accounts payable, other payables and accruals	18	**94,093**	104,534
Deferred income		**67,633**	29,134
Amounts due to related companies	13	**11,887**	28,741
Profits tax payable		**4,726**	4,458
		178,339	166,867
Non-current liability			
Deferred taxation	23	**113**	252
Total liabilities		**178,452**	167,119
Minority interests		**6,832**	9,982
Capital and reserves			
Share capital	20	**493,173**	493,173
Reserves	22	**251,922**	323,345
Total shareholders' equity		**745,095**	816,518
Total liabilities and shareholders' equity		**930,379**	993,619

Approved by the Board of Directors on 10 September 2003 and signed on behalf of the Board by:

Liu, Changle
Director

Murdoch, James Rupert
Director

BALANCE SHEET
As at 30 June 2003

	Note	**2003** **HK$'000**	2002 HK$'000
Current assets			
Cash and bank balances		**878**	82,862
Prepayments, deposits and other receivables		**–**	170
		878	83,032
Non-current asset			
Interests in subsidiaries	17	**1,277,102**	1,241,355
Total assets		**1,277,980**	1,324,387
Current liability			
Other payables and accruals		**150**	245
Total liability		**150**	245
Capital and reserves			
Share capital	20	**493,173**	493,173
Reserves	22	**784,657**	830,969
Total shareholders' equity		**1,277,830**	1,324,142
Total liability and shareholders' equity		**1,277,980**	1,324,387

Approved by the Board of Directors on 10 September 2003 and signed on behalf of the Board by:

Liu, Changle
Director

Murdoch, James Rupert
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2003

	Note	**2003** **HK$'000**	2002 *HK$'000*
Total equity as at 1 July		**816,518**	1,016,085
Exchange differences arising on translation of the financial statements of foreign subsidiaries	22	**801**	–
Loss attributable to shareholders	22	**(72,224)**	(199,716)
Exercise of share options		**–**	149
Total equity as at 30 June		**745,095**	816,518

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2003

	Note	**2003** *HK$'000*	2002 *HK$'000*
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operations	25(a)	**14,364**	(195,410)
Hong Kong taxation paid		**(3,494)**	–
Overseas taxation paid		**(49)**	(39)
Interest received from bank deposits		**5,609**	12,923
Interest paid		**(11)**	(48)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**16,419**	(182,574)
INVESTING ACTIVITIES			
Loan to PCNE		**–**	(11,099)
Increase in land deposit		**(28,177)**	–
Purchase of fixed assets		**(10,618)**	(23,862)
Proceeds from disposal of fixed assets		**333**	–
Increase in other non-current assets		**(1,767)**	–
Purchase of additional interest in a subsidiary		**–**	(944)
Net cash inflow from acquisition of PCNE		**–**	2,418
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(40,229)**	(33,487)
NET CASH OUTFLOW BEFORE FINANCING		**(23,810)**	(216,061)
FINANCING ACTIVITIES			
Proceeds from exercise of share options	25(b)	**–**	149
Capital contributions from minority shareholders	25(b)	**–**	2,615
NET CASH INFLOW FROM FINANCING		**–**	2,764
DECREASE IN CASH AND CASH EQUIVALENTS		**(23,810)**	(213,297)
CASH AND CASH EQUIVALENTS, beginning of year		**451,327**	664,624
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**522**	–
CASH AND CASH EQUIVALENTS, end of year		**428,039**	451,327

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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 following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

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

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

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 30 June. Subsidiaries are those entities in which the Group controls. 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 year 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.

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) *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 the associated company for the year, 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.

(iii) *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 and the associated company 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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 and short-term bank loan.

(j) Deferred income

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

(k) 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.

(l) 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.

(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. 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.

(m) Deferred taxation

Deferred taxation is 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 is expected to be payable or recoverable in the foreseeable future.

(n) 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 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.

(o) 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.

(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.

(p) Borrowing costs

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

(q) 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, land deposit 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:

	2003	2002
	HK$'000	*HK$'000*
Revenue		
Advertising sales	**632,653**	628,322
Subscription sales	**55,085**	38,844
Magazine advertising and subscription sales	**12,110**	13,027
Others	**10,122**	4,850
	709,970	685,043
Other revenues		
Exchange gain, net	**2,466**	1,067
Interest income, net	**5,598**	12,875
Sales of decoder devices, net	**10,470**	298
Others	**3,097**	3,729
	21,631	17,969
Total revenue	**731,601**	703,012

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, handling and other related services.

	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	**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						**(3,672)**
Loss before minority interests						**(75,374)**
Minority interests						**3,150**
Loss attributable to shareholders						**(72,224)**
Segment assets	**150,951**	**89,060**	**28,564**	**19,135**	**–**	**287,710**
Unallocated assets						**642,669**
Total assets						**930,379**
Segment liabilities	**(92,304)**	**(2,109)**	**(9,443)**	**(8,052)**	**–**	**(111,908)**
Profits tax payable						**(4,726)**
Unallocated liabilities						**(61,705)**
Deferred taxation						**(113)**
Total liabilities						**(178,452)**
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)**

	2002					
	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*
Revenue						
External sales	667,166	1,551	1,237	15,089	–	685,043
Inter-segment sales	–	15,956	–	–	(15,956)	–
Total revenue	667,166	17,507	1,237	15,089	(15,956)	685,043
Segment results	(89,920)	(1,196)	(11,013)	(6,673)	–	(108,802)
Unallocated expenses *(Note i)*						(85,427)
Loss before taxation and minority interests						(194,229)
Taxation						(3,141)
Loss before minority interests						(197,370)
Minority interests						(2,346)
Loss attributable to shareholders						(199,716)
Segment assets	254,856	62,997	27,218	11,015	–	356,086
Unallocated assets						637,533
Total assets						993,619
Segment liabilities	(49,588)	(5,509)	(9,517)	(9,488)	–	(74,102)
Profits tax payable						(4,458)
Unallocated liabilities						(88,307)
Deferred taxation						(252)
Total liabilities						(167,119)
Capital expenditure	11,368	7,970	142	697	–	20,177
Unallocated capital expenditure						3,685
						23,862
Depreciation	(15,617)	(2,509)	(1,402)	(13)	–	(19,541)
Amortisation of purchased programme and film rights	(42,546)	–	–	–	–	(42,546)
Amortisation of goodwill	(1,541)	–	–	(944)	–	(2,485)
Provision for impairment of goodwill	(44,700)	–	–	–	–	(44,700)

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

		2003	
	Revenue	**Total assets**	**Capital expenditure**
	HK$'000	*HK$'000*	*HK$'000*
PRC (including Hong Kong)	**641,483**	**882,944**	**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	**930,379**	**40,563**

		2002	
	Revenue	Total assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*
PRC (including Hong Kong)	628,525	956,055	16,840
United States	8,759	17,520	2,131
Europe	4,157	17,574	4,778
Other countries in the Asia Pacific Region	43,602	2,470	113
	685,043	993,619	23,862

3. LOSS FROM OPERATIONS

Loss from operations is stated after charging the following:

	Note	2003 HK$'000	2002 HK$'000
Charging:			
Amortisation costs of purchased programme and film rights		**43,275**	42,546
Production costs of self-produced programmes		**87,898**	108,564
Transponder rental	28(c)	**29,400**	32,800
Provision for doubtful debts		**34,469**	39,293
Staff costs, including Directors' emoluments	8	**194,882**	180,904
Operating lease rental in respect of			
– Directors' quarters		**952**	1,006
– land and buildings of third parties		**13,351**	8,579
– land and buildings of a related company	28(b)	**257**	6,372
Cost of inventories		**1,732**	690
Depreciation of fixed assets		**22,510**	19,541
Loss on disposal of fixed assets		**998**	792
Auditors' remuneration		**1,760**	1,685

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year 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:

	2003 HK$'000	2002 HK$'000
Current taxation:		
– Hong Kong profits tax	**5,065**	3,102
– Overseas taxes	**49**	39
– Over-provisions of Hong Kong profits tax in the prior year	**(1,303)**	–
Deferred taxation (note 23)	**(139)**	–
	3,672	3,141

As at 30 June 2003, certain subsidiaries of the Phoenix Group had estimated cumulative tax losses for Hong Kong profits tax purposes which, subject to the agreement by the Inland Revenue Department, can be carried forward indefinitely to be offset against future taxable profits. The potential deferred tax asset, subject to the agreement by the Inland Revenue Department of the amount of the tax losses, has not been recognised in the accounts of the Phoenix Group.

5. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders dealt with in the accounts of the Company to the extent of HK$46,312,000 (2002: profit of approximately HK$1,778,000).

6. DIVIDENDS

No dividend had been paid or declared by the Company during the year (2002: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on consolidated loss attributable to shareholders of HK$72,224,160 (2002: HK$199,715,943), and the 4,931,730,000 (2002: 4,931,709,058) weighted average number of ordinary shares outstanding during the year ended 30 June 2003.

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 each of the years ended 30 June 2003 and 2002.

8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2003	2002
	HK$'000	*HK$'000*
Wages, salaries and other allowances	**184,097**	173,525
Unutilised annual leave	**2,692**	–
Pension costs – defined contribution plans, net of forfeited contributions	**8,093**	7,379
	194,882	180,904

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

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

	2003	2002
	HK$'000	*HK$'000*
Executive Director A:		
Fees	**–**	4,292
Salaries	**4,357**	–
Discretionary bonus	**–**	–
Quarters	**952**	1,006
Other allowance	**–**	–
Pension fund	**–**	–
	5,309	5,298
Executive Director B:		
Fees	**–**	–
Salaries	**1,656**	2,488
Discretionary bonus	**–**	–
Housing allowance	**869**	134
Other allowance	**137**	–
Pension fund	**166**	163
	2,828	2,785

During the year, no emoluments were paid/payable to the Non-Executive Directors of the Company (2002: Nil) and approximately HK$400,000 (2002: HK$400,000) were paid/payable to two independent Non-Executive Directors of the Company.

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

	Number of Directors	
Emolument bands	**2003**	2002
HK$Nil – HK$1,000,000	**9**	9
HK$2,500,001 – HK$3,000,000	**1**	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 year ended 30 June 2003.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2002: two) Executive Directors whose emoluments are reflected in the analysis presented in (a) above. The emoluments paid/payable to the remaining three (2002: three) individuals during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Fees	**–**	–
Salaries	**4,989**	4,017
Discretionary bonus	**–**	–
Housing allowance	**2,422**	3,088
Other allowance	**413**	1,138
Pension fund	**498**	478
	8,322	8,721

The emoluments of the remaining three (2002: three) individuals fell within the following bands:

	Number of individuals	
Emolument bands	**2003**	2002
HK$2,000,001 – HK$2,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**1**	1

During the 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

	2003	2002
	HK$'000	*HK$'000*
Accounts receivable	**102,911**	186,901
Less: Provision for doubtful debts	**(72,713)**	(71,188)
	30,198	115,713

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.

As at 30 June 2003, the ageing analysis of the accounts receivable from customers is as follows:

	2003	2002
	HK$'000	*HK$'000*
0-30 days	**11,528**	34,287
31-60 days	**943**	15,996
61-90 days	**1,218**	13,324
91-120 days	**1,789**	7,794
Over 120 days	**87,433**	115,500
	102,911	186,901
Less: Provision for doubtful debts	**(72,713)**	(71,188)
	30,198	115,713

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK$252,338,000 (2002: HK$208,567,000) owing from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou") in the PRC. The amount represents advertising revenue collected by Shenzhou on behalf of the Group. The balance is unsecured and bears interests at prevailing bank interest rates. As a result of the foreign exchange restrictions in the PRC, the remittance 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 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

	2003	2002
	HK$'000	*HK$'000*
Decoders and satellite receivers	**10,617**	1,513

As at 30 June 2003 and 2002, 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

	Note	2003 HK$'000	2002 HK$'000
At 1 July		**42,584**	47,160
Additions	28(h)	**39,835**	41,203
Amortisation		**(43,275)**	(42,546)
Disposals and others		**(1,814)**	(3,233)
At 30 June		**37,330**	42,584
Less: Purchased programme and film rights – current portion		**(13,281)**	(14,308)
		24,049	28,276

15. FIXED ASSETS, NET

	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 2002	**17,172**	**3,510**	**86,553**	**6,950**	**114,185**
Additions	**1,256**	**278**	**8,371**	**713**	**10,618**
Disposals	**(390)**	**(863)**	**(1,077)**	**(441)**	**(2,771)**
Exchange differences	**86**	**93**	**131**	**37**	**347**
At 30 June 2003	**18,124**	**3,018**	**93,978**	**7,259**	**122,379**
Accumulated depreciation					
At 1 July 2002	**4,375**	**1,082**	**23,475**	**1,454**	**30,386**
Charge for the year	**2,787**	**592**	**17,770**	**1,361**	**22,510**
Disposals	**(359)**	**(353)**	**(610)**	**(118)**	**(1,440)**
Exchange differences	**16**	**14**	**29**	**9**	**68**
At 30 June 2003	**6,819**	**1,335**	**40,664**	**2,706**	**51,524**
Net book value					
At 30 June 2003	**11,305**	**1,683**	**53,314**	**4,553**	**70,855**
At 30 June 2002	**12,797**	**2,428**	**63,078**	**5,496**	**83,799**

16. LAND DEPOSIT

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 the Group has a 90% equity interest.

Pursuant to the payment terms of the agreement, the full aomunt of approximately HK$57,354,000 (2002: HK$29,177,000) has 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. As at 30 June 2003, 深圳鳳凰置業有限公司was in the process of obtaining the land use right.

* *name translated for reference only*

17. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Amount due from a subsidiary, net	**1,277,102**	1,241,355
	1,277,102	1,241,355

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

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 30 June 2003.

Details of subsidiaries as at 30 June 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

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 Satellite Television (B.V.I.) Holding Limited *(Note i)*	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
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

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 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
Phoenix Chinese News & Entertainment Limited (formerly known as Chinese News & Entertainment Limited)	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
深圳鳳凰置業有限公司 Shenzhen Phoenix Real Estate Co. Limited	PRC 9 January 2002	PRC	Land development	90%	US$10,000,000
鳳凰置業有限公司 Phoenix Real Properties Limited	British Virgin Islands 30 May 2003	PRC	Dormant	100%	US$1

Note:

(i) 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.

18. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2003	2002
	HK$'000	*HK$'000*
Accounts payable	**7,139**	16,216
Other payables and accruals	**86,954**	88,318
	94,093	104,534

As at 30 June 2003, the ageing analysis of the accounts payable is as follows:

	2003	2002
	HK$'000	*HK$'000*
0-30 days	**4,421**	9,558
31-60 days	**264**	653
61-90 days	**32**	128
91-120 days	**411**	657
Over 120 days	**2,011**	5,220
	7,139	16,216

19. 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 year ended 30 June 2003, the aggregate amount of the employer's contributions was approximately HK$8,530,000 (2002: HK$7,936,000). For the year ended 30 June 2003, the total amount of forfeited contributions was approximately HK$1,488,000 (2002: HK$1,858,000).

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 (2002: HK$4,000), the employees' contributions are voluntary.

During the year, the aggregate amount of employer's contributions made by the Phoenix Group to the MPF Scheme was approximately HK$1,254,000 (2002: HK$1,301,000). For the year ended 30 June 2003, the total amount of forfeited contributions was approximately HK$203,000 (2002: Nil).

(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. Contributions under the Schemes are charged to the profit and loss account as incurred.

20. SHARE CAPITAL

	2003		2002	
	Number of shares	**Amount** *HK$'000*	Number of shares	Amount *HK$'000*
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 year	**4,931,730,000**	**493,173**	4,931,592,000	493,159
Exercise of share options	**–**	**–**	138,000	14
End of year	**4,931,730,000**	**493,173**	4,931,730,000	493,173

21. 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 year ended 30 June 2003 were as follows:

Date of grant	Exercise period	Subscription price *HK$*	Beginning of year	Granted during the year	Exercised during the year	Lapsed as a result of termination of employment	End of year
14 June 2000	14 June 2001 to 13 June 2010	1.08	53,024,000	–	–	(6,458,000)	46,566,000
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	12,860,000	–	–	(700,000)	12,160,000
20 December 2002	20 December 2003 to 19 December 2012	0.79	–	2,866,000	–	(398,000)	2,468,000
			67,584,000	2,866,000	–	(7,556,000)	62,894,000

22. RESERVES

Group

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

	Group			
	Share premium *HK$'000*	Exchange reserve *HK$'000*	Accumulated deficit *HK$'000*	Total *HK$'000*
At 1 July 2001	824,704	–	(301,778)	522,926
Loss attributable to shareholders	–	–	(199,716)	(199,716)
Exercise of share options	135	–	–	135
At 30 June 2002	824,839	–	(501,494)	323,345

	Group			
	Share premium ***HK$'000***	**Exchange reserve** ***HK$'000***	**Accumulated deficit** ***HK$'000***	**Total** ***HK$'000***
At 1 July 2002	**824,839**	**–**	**(501,494)**	**323,345**
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**–**	**801**	**–**	**801**
Loss attributable to shareholders	**–**	**–**	**(72,224)**	**(72,224)**
At 30 June 2003	**824,839**	**801**	**(573,718)**	**251,922**

Company

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

	Share premium *HK$'000*	Company Retained earnings *HK$'000*	Total *HK$'000*
At 1 July 2001	824,704	4,352	829,056
Profit attributable to shareholders	–	1,778	1,778
Exercise of share options	135	–	135
At 30 June 2002	824,839	6,130	830,969

	Share premium ***HK$'000***	**Company Retained earnings** ***HK$'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**

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 30 June 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$784,657,000 (2002: HK$830,969,000).

23. DEFERRED TAXATION

	2003 ***HK$'000***	2002 *HK$'000*
At 1 July	**252**	252
Credited to profit and loss account (note 4)	**(139)**	–
At 30 June	**113**	252

Deferred taxation represents the taxation effect of timing differences arising from accelerated depreciation allowances.

24. ADDITIONAL FINANCIAL INFORMATION ON CONSOLIDATED BALANCE SHEET

As at 30 June 2003, the net current assets of the Group amounted to approximately HK$598,015,000 (2002: HK$685,500,000). On the same date, the total assets less current liabilities was approximately HK$752,040,000 (2002: HK$826,752,000).

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2003	2002
	HK$'000	*HK$'000*
Loss from operations	**(93,333)**	(165,013)
Depreciation of fixed assets	**22,510**	19,541
Other income, net	**13,567**	4,027
Exchange gain, net	**2,466**	1,067
Loss on disposal of fixed assets	**998**	792
Decrease in accounts receivable, net	**85,515**	9,514
Increase in prepayments, deposits and other receivables	**(30,455)**	(80,759)
Increase in inventories	**(9,104)**	(1,141)
(Increase)/decrease in amounts due from related companies	**(96)**	698
Decrease/(increase) in self-produced programmes	**5,838**	(10,289)
Decrease in purchased programme and film rights	**5,254**	7,862
(Decrease)/increase in accounts payable, other payables and accruals	**(10,441)**	17,929
Increase/(decrease) in deferred income	**38,499**	(13,094)
(Decrease)/increase in amounts due to related companies	**(16,854)**	13,456
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**14,364**	(195,410)

(b) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital	Share premium	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2001	493,159	824,704	5,019	1,322,882
Share options exercised by employees	14	135	–	149
Capital contributions from minority shareholders				
– cash	–	–	2,615	2,615
– non-cash	–	–	2	2
Minority shareholders' share of results	–	–	2,346	2,346
At 30 June 2002	493,173	824,839	9,982	1,327,994
At 1 July 2002	**493,173**	**824,839**	**9,982**	**1,327,994**
Minority shareholders' share of results	**–**	**–**	**(3,150)**	**(3,150)**
At 30 June 2003	**493,173**	**824,839**	**6,832**	**1,324,844**

26. BANKING FACILITIES

As at 30 June 2003, the Group had banking facilities amounted to approximately HK$18,300,000 (2002: HK$17,900,000). Unused banking facilities as at the same date amounted to approximately HK$11,900,000 (2002: HK$1,300,000). The facilities are covered by counter indemnities from the Group.

As at 30 June 2003, deposits of approximately HK$3,300,000 (2002: HK$2,900,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

27. COMMITMENTS

(a) Programme and film rights acquisition

As at 30 June 2003, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$122,565,000 (2002: HK$140,917,000) of which approximately HK$114,596,000 (2002: HK$138,608,000) 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$7,969,000 (2002: HK$2,309,000) was in respect of programme acquisition agreements with other programme suppliers. Total programme and film rights related commitments are analysed as follows:

	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**25,754**	23,668
Later than one year and not later than five years	**93,293**	89,720
Later than five years	**3,518**	27,529
	122,565	140,917

(b) Service charges

As at 30 June 2003, the Group had total committed service charges payable to Satellite Television Asian Region Limited ("STARL") of approximately HK$126,676,000 (2002: HK$56,682,000) in respect of a service agreement expiring on 30 June 2006. Total committed service charges payable to STARL are analysed as follows:

	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**41,947**	56,682
Later than one year and not later than five years	**84,729**	–
Later than five years	**–**	–
	126,676	56,682

As at 30 June 2003, the Group had committed service charges payable to Fox News Network L.L.C. ("Fox") of approximately HK$4,174,000 (2002: HK$8,266,000) in respect of a service agreement expiring on 25 July 2004. Total committed service charges payable to Fox are analysed as follows:

	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**3,911**	4,092
Later than one year and not later than five years	**263**	4,174
Later than five years	**–**	–
	4,174	8,266

As at 30 June 2003, the Group had committed service fee receivable from Asia Television Limited ("ATV") of approximately HK$3,918,000 (2002: Nil) 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:

	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**1,306**	–
Later than one year and not later than five years	**2,612**	–
Later than five years	**–**	–
	3,918	–

(c) Operating lease

As at 30 June 2003, the Group had rental commitments of approximately HK$38,298,000 (2002: HK$24,344,000) under various operating leases extending to September 2011. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**11,696**	8,756
Later than one year and not later than five years	**21,288**	9,428
Later than five years	**5,314**	6,160
	38,298	24,344

(d) Capital commitment

Pursuant to an agreement dated 26 May 2003, the Group has entered into an arrangement with a third party to establish a jointly controlled entity, 北京翡翠鳳凰文化投資咨詢有限公司 in the PRC. As at 30 June 2003, the Group has an outstanding commitment to pay approximately HK$470,000 as contribution capital for the jointly controlled entity.

(e) Other operating and capital commitments

As at 30 June 2003, the Group had the following additional significant operating and capital commitments:

		2003			2002
		Total future minimum payments payable			
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")	**5,038**	**5,099**	**10,137**	15,043
Provision of data transmission services	PCCW-HKT Network Services Limited	**2,432**	**1,216**	**3,648**	3,201
Provision of news and datafeed services	The Associated Press Television News Limited	**1,281**	**1,437**	**2,718**	696
Provision of market datafeed services	Stock Exchange Information Services Limited	**417**	**–**	**417**	1,417
Provision of programme production services	東森華榮傳播事業股份有限公司	**2,359**	**–**	**2,359**	4,297
Provision of office management services	Rhine Office Investments Ltd, Elbe Office Investments Ltd. and Hutchison Hotel HK Ltd.	**2,401**	**4,902**	**7,303**	–
Provision of transponder rental services	卜樂視科技股份有限公司	**2,700**	**315**	**3,015**	–
Provision of channel leasing services	Charter Communications	**1,451**	**723**	**2,174**	–
Provision of optic fibre transmission services	China Netcom (USA) Operations Limited	**1,440**	**–**	**1,440**	–
Provision of programming services	Exclusive Production Limited	**540**	**135**	**675**	–
		20,059	**13,827**	**33,886**	24,654

28. 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	**2003** **HK$'000**	2002 *HK$'000*
Office premises rental paid/payable to STARL	a, b	**257**	6,372
Service charges paid/payable to STARL	a, c	**82,082**	136,473
Commission for advertising sales and marketing services paid/payable to STARL	a, d	**8,409**	8,668
Commission for international subscription sales and marketing services paid/payable to STARL	a, e	**2,349**	2,040
Sales of decoder devices to STARL	a, f	**155**	–
Purchase of decoder devices from STARL	a, f	**–**	1,688
Film licence fees paid/payable to STAR Filmed	a, g	**20,403**	20,403
Programme licence fees paid/payable to other STAR TV group companies	a, h	**–**	753
Programme licence fees paid/payable to ATV Enterprises Limited	h, i	**13,236**	1,804
Sale of a motor vehicle to ATV Enterprises Limited	i, j	**323**	–
Service charges paid/payable to ATV	i, k	**219**	556
Service charges received/receivable from ATV	i, l	**1,733**	–
Service charges paid/payable to Fox	m, n	**4,132**	4,092
Service charges paid/payable to BSkyB	o, p	**4,996**	1,862

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 cover the following services provided to the Phoenix Group which are charged either based on the terms (i) mutually agreed upon between both parties or (ii) specified under various service agreements. Either fixed fees or variable fees are charged depending on the type of facilities utilised including the following:

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

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

e. The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2002: 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.

f. Sales of decoder devices to/purchases of decoder devices from 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. The programme licence fees paid/payable to other STAR TV group companies and ATV Enterprises Limited are negotiated on a case-by-case basis.

i. ATV Enterprises Limited 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, indirectly own approximately 46% of ATV as at 30 June 2003. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 30 June 2003. He also owns 80% interests of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

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

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.

29. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

30. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 10 September 2003.

CONSOLIDATED RESULTS

Year ended 30 June

	2003	2002	2001	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**709,970**	685,043	713,687	511,342	314,663
Operating expenses	**(661,238)**	(709,700)	(579,421)	(404,181)	(352,876)
Selling, general and administrative expenses	**(142,065)**	(140,356)	(132,974)	(66,393)	(49,768)
(Loss) Profit from operations	**(93,333)**	(165,013)	1,292	40,768	(87,981)
Other income (expenses), net	**21,631**	(29,216)	50,566	9,140	9,515
(Loss) Profit before taxation and minority interests	**(71,702)**	(194,229)	51,858	49,908	(78,466)
Taxation	**(3,672)**	(3,141)	(1,608)	–	–
(Loss) Profit before minority interests	**(75,374)**	(197,370)	50,250	49,908	(78,466)
Minority interests	**3,150**	(2,346)	3,734	407	–
(Loss) Profit attributable to shareholders	**(72,224)**	(199,716)	53,984	50,315	(78,466)

CONSOLIDATED ASSETS AND LIABILITIES

As at 30 June

	2003	2002	2001	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**930,379**	993,619	1,163,087	1,033,935	200,286
Total liabilities	**(178,452)**	(167,119)	(141,983)	(146,379)	(606,363)
Minority interests	**(6,832)**	(9,982)	(5,019)	(7,753)	–
Shareholders' equity (deficit)	**745,095**	816,518	1,016,085	879,803	(406,077)

The results of the Phoenix Group for the year ended 30 June 1999 and the balance sheet as at 30 June 1999 have been extracted from the Prospectus and prepared on a continued basis as if the Phoenix Group, which was established as a result of the Group Reorganisation completed on 16 June 2000, had been in existence since 1 July 1997 and throughout the accounting periods presented.

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