



Year 2000 is a remarkable year for Phoenix's business marching on a new era. The Company, with a fund raising amount of more than HK\$780,000,000 has been successfully listed on GEM on 30th June this year, and has become the first Chinese television network being listed on GEM. At the same time, the Phoenix Group has successfully realized profit in this financial year.

I am pleased to present the annual report of the Phoenix Group for the year ended 30th June, 2000 to all shareholders.

#### **Dividend**

The Board does not recommend the payment of a dividend for the year to provide cash flow for business development.

#### **Results**

Audited consolidated profit attributable to shareholders for the year ended 30th June, 2000 was approximately HK\$50,315,000. Turnover increased from approximately HK\$314,663,000 in previous year to approximately HK\$511,342,000 this year, representing a substantial increase of 62.5%, whereas earnings per share of HK1.22 cents was recorded.

#### **Business Overview**

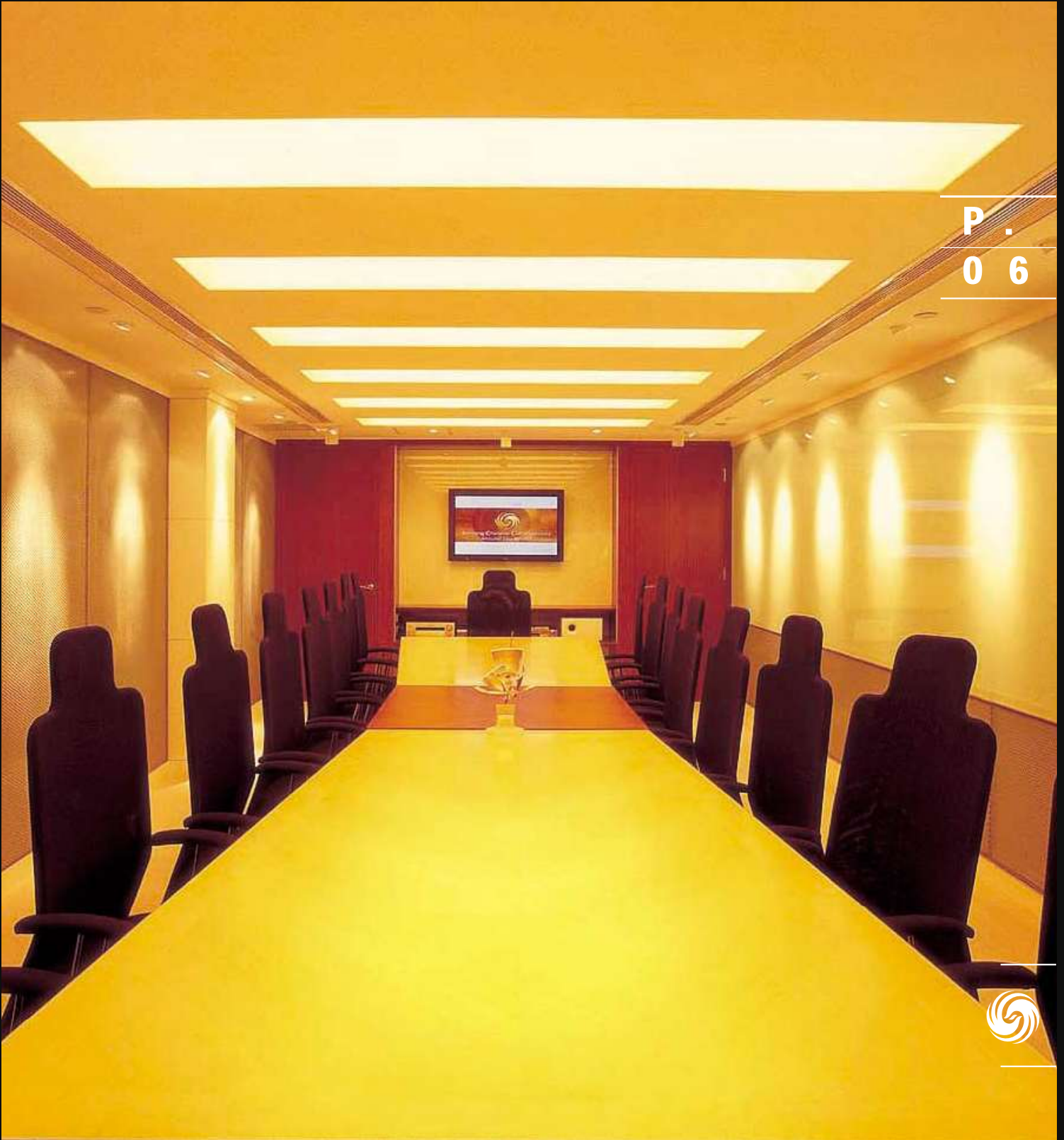
##### **1. Phoenix Chinese Channel**

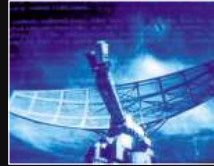
The Phoenix Chinese Channel is an un-encrypted television channel broadcasting 24 hours daily into the PRC, Hong Kong, Taiwan, Japan, Southeast Asia, Australia, New Zealand, the Middle East, North Africa and Russia. According to surveys conducted by China Mainland Marketing Research Company in 1999, which were commissioned by the Phoenix Group, the channel has a coverage of 42 million households in the PRC, over 147 million viewers and is one of the foreign television channels that enjoys the highest ratings in the PRC. The Phoenix Chinese Channel contributes most of the income of the Phoenix Group through its advertising revenues. Phoenix Group has been working hard to enrich the content of its programmes with a view to enhancing the penetration and ratings of the Phoenix Chinese Channel. The advertising revenues for the year ended June 30, 2000 increased 62.7% to approximately HK\$484,631,000 as compared to that of last year, representing 94.8% of the Phoenix Group's total revenue for the year ended June 30, 2000. Effective July 1 this year, advertising rates have risen in general, including a 33% increase in the prime time rates and a 60% increase in the midnight rates. In spite of this rate rise, the clients' contracting rate has remained steady, with prime time intervals almost fully booked.

The programmes of the Phoenix Chinese Channel are either outsourced or self-produced. Major self-produced programmes include Millennium Odyssey completed in 1999 and European Odyssey launched on August 6 this year. European Odyssey features a large-scale historical tour from the Greek Aegean Sea to the Arctic Circle, covering 30 European countries. The tour not only searches for the origins of the modern industrial and technological civilizations, but also unveils the stories of overseas Chinese. Another keynote programme is Our Planet Our Home - The Green Wall in China. With the view of uncovering the environmental construction problems in the PRC, the programme introduces over ten provinces, cities and autonomous regions in western China that are suffering from serious desertification problems. All these high quality programmes are believed to be able to attract numerous viewers in the PRC, that raise the ratings of the Phoenix Chinese Channel and the advertising revenues.

##### **2. Phoenix Movies Channel**

The Phoenix Movies Channel is an encrypted pay-television channel broadcasting movies and related programmes 24 hours daily. As of June 30, 2000, the number of entity subscribers (including hotels) increased to approximately 2,437 and the estimated number of households was approximately 450,000. The total revenue generated from annual subscription fees and other related sources also increased 82.7% to approximately HK\$19,376,000 as compared to that of last year, representing 3.8% of the Phoenix Group's total revenue for the year ended June 30, 2000. In order to attract more subscribers, the Phoenix Group has been actively purchasing more movies that suit the taste of the Chinese from all round the world for the Phoenix Movies Channel.





### 3. Phoenix CNE Channel

Launched in August last year, the Phoenix CNE Channel broadcasts via the ASTRA 2A satellite and can be received in 25 European countries, including the United Kingdom, France, Germany, Austria and Spain. Targeting the overseas Chinese community in Europe as its main audience, this channel broadcasts a wide range of Chinese programmes including news, entertainment, current affairs and documentaries and currently broadcasts six hours daily. The Phoenix CNE Channel is still at its development stage and will continue to expand its audience base in the Europe market in the future.

### 4. Shenzhen Production Centre

As another crucial part of its business development plan, the Phoenix Group aims at enhancing its production capabilities and becoming a major Chinese media content provider through mass programme production and the establishment of a programme library. The Phoenix Group has successfully produced the large-scale documentary Millennium Odyssey and other high quality documentaries and special feature programmes in response to market needs. As broadcasting begins, these programmes are well received not only by viewers, boosting the popularity of Phoenix, but also by other television channels that have decided to purchase for their own showing.

In order to support its in-house production plan, the Phoenix Group has set up a joint venture called Phoenix Film and Television (Shenzhen) Company Limited in Shenzhen, PRC. The objective of this joint venture is to become a modern programme production centre, providing sites for programme production and other ancillary services. The joint

venture partners own the qualification to produce television programmes in the PRC. Prior to the completion of the centre, Phoenix currently rents a temporary plant in Shenzhen which has already commenced production. Developing and operating a production centre not only increases the quantity of self-produced programmes of the Phoenix Group, but also reduces the operating costs.

### 5. Internet Development

In order to enhance the overall website technology and enrich the content, the Phoenix Group has established a wholly-owned enterprise in Beijing to cooperate with various internet service providers in the PRC. The Phoenix Group aims to develop its current website [www.phoenixtv.com](http://www.phoenixtv.com) into a vertical infotainment portal, offering various kinds of information such as entertainment, news and sports on a one-stop basis by linking all relevant Phoenix television and magazine content and artists with the Internet community.

### 6. Phoenix Weekly

Phoenix Weekly is a comprehensive magazine with a special permission to distribute in the PRC. The magazine was officially published on June 30 this year with its content comprised of three genres: current affairs and financial news, culture and life and fashion and entertainment. The main focus of the magazine is to cover television programmes and artistes on the channels of the Phoenix Group. The magazine is currently distributed within the PRC.



### Major Recent events

Recently, the Phoenix Chinese Channel has covered a series of major news in the United States, including the United Nations Summit and the visiting performances of the Chinese artists delegation for the Paralympics. The Phoenix Chinese Channel's coverage on these events attracts wide concern and applause throughout the PRC and other regions covered by the channel's satellite signals. The coverage also earns great support from advertising sponsors. Among these events, the Phoenix Chinese Channel participated in organising and planning the visit of the Chinese handicapped artists delegation. The visit was highly regarded by both the Chinese and the United States Governments.

The above events organised by the Phoenix Group in the United States together with its business development in the rest of the world firmly enhance the Phoenix Group's popularity and brand value. The quality of the Phoenix Satellite Television Group is also further enhanced. All these are important results gained from the internationalised strategies of the Phoenix Group.

### Prospects

Thanks to its painstaking efforts in the past few years, Phoenix Group has built a firm base in the increasingly competitive Chinese language media market, and has also created favorable conditions for the aggressive business developments in the future.

In the light of expanding market penetration, increasing television advertising revenues and exploring new income sources, the Phoenix Group will actively launch new channels, such as the Phoenix North America Chinese Channel and the Phoenix InfoNews Channel in the second half of the year.

The Phoenix North America Chinese Channel is a newly established channel that is expected to be launched in the form of a pay-television channel after November this year, with the Chinese community in North America as its target audience. Programmes on this channel will be transmitted by satellite using encryption methods.

The Phoenix InfoNews Channel is scheduled to be launched in late November this year. The channel will become the only 24-hour channel that covers financial news and current political news in Putonghua. As China is undergoing a rapid economic development, Chinese citizens are in much demand for information about the economic affairs of China and the rest of the world. Therefore, the Board believes that the Phoenix

InfoNews Channel will be welcomed by the Chinese audiences and can increase the penetration of viewership within China. As the commercial air time of the Phoenix Chinese Channel, which is the main channel of the Phoenix Group, will soon be fully booked, the launch of the InfoNews Channel can provide more marketable commercial blocks. To coordinate with the launch of the Phoenix InfoNews Channel, the Phoenix Group will set up a branch office in Taiwan in the near future to support the InfoNews Channel with immediate and firsthand financial news.

As China is about to join the WTO, the Board believes that both foreign and Chinese companies will benefit from the economic improvement and therefore will increase their advertising on television. While the Phoenix Chinese Channel focuses on news, entertainment, lifestyle, special feature reports, on-air programmes, documentaries and talk shows, these programmes are of high quality and are highly informative and entertaining and thus will have a great appeal in the PRC. Along with the successful penetration into the media market of the PRC by the Phoenix, the Board believes that the advertising revenues of the Phoenix Group for the coming year will have a positive growth. Meanwhile, the rapid development of the Chinese economy also enables the Phoenix Group to explore new income sources, such as increasing the subscription fee of the Phoenix Movies Channel and launching services that charge over subscription frequency.

The success of the Phoenix Group is contributed by the close cooperation and hard work of the management team and the staff. A group of media elites from mainland China, Taiwan and Hong Kong not only possess the sense to seize market opportunities, but also have thorough understanding towards the policy scope of the Chinese government and the preferences of viewers. With the reconciliation of talented staff from mainland China, Taiwan and Hong Kong, the Phoenix Group can surely maintain its position in the highly competitive global Chinese language television market.

As one-fifth of the world's population speaks Chinese, the potential of the Chinese language television market is enormous and there is still plenty of room for the growth of television ratings and advertising. In order to win more viewers, the Phoenix Group will continue to enhance the quality of its programmes. With flexible scheduling and marketing strategies, the Phoenix Group is set to satisfy the various needs of its target audiences.

### Acknowledgement

On behalf of the Board, I would like to thank our staff for their hard work in raising the service standards and striving for the maximum profit for the Phoenix Group and our shareholders for their confidence and support towards the Board and the management team of the Phoenix Group.

Last but not least, I would also like to thank our advertisers for their continued support.



### Liu Changle Chairman

Hong Kong, 14th September, 2000

