鳳凰衛視

# PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

# 鳳 凰 衛 視 控 股 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8002)

## RESULTS ANNOUNCEMENT
## FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 directors of Phoenix Satellite Television Holdings Limited (the "Company") 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 the Company. The directors of the Company confirm, having made all reasonable enquires, that to the best of their knowledge and belief, (i) the information contained in the announcement are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this announcement have been arrived at after due and careful consideration on the bases and assumptions that are fair and reasonable.*

## CHAIRMAN'S STATEMENT

## FINANCIAL SUMMARY

- The Phoenix Group turned in a steady performance during the nine months ended 30 September 2008, with an increase in revenue and an improved bottom line.

- Revenue for this nine-month period was approximately HK$1,038,404,000, which represented a 21.5% increase over the same period last year.

## FINANCIAL REVIEW

The Group's revenue for the nine months ended 30 September 2008 was approximately HK$1,038,404,000, which represented an increase of 21.5% when compared to the same period last year. The two main drivers behind this result were the growth in advertising revenue and subscription revenue. Total operating costs increased by 21.3% to approximately HK$827,716,000. The upward movement in operating costs was mainly due to the increase in commission payments and a rise in programming, technical services and staff costs.

The Group's operating profit for the nine months ended 30 September 2008 was approximately HK$210,688,000, which represented an increase of 22.0% over same period last year. Profit attributable to equity holders of the Company was approximately HK$238,347,000, which was an increase of 18.9% compared with the same period last year. The increase in operating profit was mainly generated by the increase in advertising revenue and subscription revenue. During the second quarter of 2008 the Group recognised a gain on investments in two subsidiaries, with the Group's interest in the net fair value of the subsidiaries exceeding the cost of the investments to the extent of HK$21,764,000. The appreciation of the Renminbi during the nine-month period further boosted the profit attributable to equity holders by approximately HK$31,853,000 (nine months ended 30 September 2007: HK$16,000,000).

The chart presented below compares the Group's performance for the current period and the same period last year respectively:

| | Nine months ended 30 September 2008 *HK$'000* | 2007 *HK$'000* |
|---|---|---|
| Phoenix Chinese Channel | **673,299** | 582,712 |
| Phoenix InfoNews Channel | **201,786** | 147,136* |
| Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel & others | **88,080** | 56,625* |
| New media | **35,113** | 35,077 |
| Other businesses | **40,126** | 33,317* |
| Group's total revenue | **1,038,404** | 854,867 |
| Operating costs | **(827,716)** | (682,232)* |
| Profit from operations | **210,688** | 172,635 |
| Other income – net | **66,866** | 65,576 |
| Share of (losses)/profits of jointly controlled entities | **(1,131)** | 74 |
| Income tax expenses | **(45,738)** | (36,217) |
| Minority interest | **7,662** | (1,685) |
| Profit attributable to equity holders of the Company | **238,347** | 200,383 |
| Earnings per share, Hong Kong cents | **4.81** | 4.05 |

* 2007 comparative figures have been reclassified to conform to the current quarter's presentation.

The table below shows the operating results of our businesses for the nine months ended 30 September 2008 and the same period last year:

| | Nine months ended 30 September 2008 *HK$'000* | 2007 *HK$'000* |
|---|---|---|
| Phoenix Chinese Channel | **346,627** | 296,460 |
| Phoenix InfoNews Channel | **29,461** | 1,459* |
| Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel & others | **(27,971)** | (44,765)* |
| New media | **1,447** | 16,860 |
| Other businesses | **(17,885)** | 4,135* |
| Corporate overheads | **(120,991)** | (101,514) |
| Profit from operations | **210,688** | 172,635 |

* 2007 comparative figures have been reclassified to conform to the current quarter's presentation.

The Group's flagship channel, Phoenix Chinese Channel, accounted for 64.8% of the Group's total revenue for the nine months ended 30 September 2008 and showed an increase of 15.5% compared with same period last year. Phoenix InfoNews Channel's revenue accounted for 19.4% of the Group's total revenue for the period, and increased by 37.1% to approximately HK$201,786,000.

The cumulative revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel, Phoenix Chinese News and Entertainment Channel and others, increased by 55.5% when compared with the same period last year to approximately HK$88,080,000.

The revenue from new media operations for the nine months ended 30 September 2008 was approximately HK$35,113,000 (nine months ended 30 September 2007: HK$35,077,000), which was mainly generated by technical services provided to a cooperation partner in the new media venture. Due to the expansion of the new media operations, there were increases in staff costs, internet production costs and the share-based payment expenses during the nine months period. As a consequence, the segmental result of the new media operations recorded a decline in profit to approximately HK$2,136,000 for the reported period, compared to a profit of HK$17,021,000 during the same period last year.

During the nine months ended 30 September 2008, the Group captured the preliminary expenses of the outdoor advertising business, and as a result, there was a loss from operations of other businesses of HK$17,885,000 after a profit of HK$4,135,000 during the same period last year.

The increase in corporate overheads was mainly attributable to the increases in staff costs and professional fees and the company's donation to the Sichuan earthquake relief effort.

## BUSINESS OVERVIEW AND PROSPECTS

The Group's core television business has performed well over the last nine months, with both the Phoenix Chinese Channel and Phoenix InfoNews Channel making handsome profits that were considerably larger than in the same period last year. This steady performance demonstrates that the Group has an extremely stable base. Throughout this period audience ratings remained good, and even during the Beijing Olympic Games, for which Phoenix did not have broadcasting rights, the available figures suggest that Phoenix did not suffer any loss in audience.

So far the financial turmoil that has gripped the global economy has had no demonstrable impact on the Group's overall performance. Although growth projections for the Chinese economy have dropped to the region of a relatively low 9%, Phoenix's advertising clients so far have not shown any sign of changing their advertising strategy as a consequence of the economic turmoil. Since the economic turmoil began, none of the Group's advertising contracts has been cancelled, and some contracts have already been renewed for the coming year. While the instability of the international economic environment makes it difficult to predict future trends, so far all the major indicators suggest that the Group's two main components, the Phoenix Chinese Channel and Phoenix InfoNews Channel, will continue to turn in a stable and consistent performance.

While the two core channels have maintained a substantial flow of income, the other channels, including the Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment, continue to operate at a loss, over the last 12 months this loss has diminished by approximately 37%. At this stage it is unclear whether this positive trend will be continued in the light of the global economic downturn, but it does demonstrate that these channels are not large and inevitable burdens on the Group's financial resources. Moreover while these channels have still not reached the break-even point, they contribute to the Phoenix brand name and underscore that the Group is an international entity with a global reach.

The Group's new media business remains in a developmental phase, and while it achieved a steady income during this period, rising staff and internet production costs resulted in a diminished profit. The outdoor advertising business also remains in an early developmental phase, and during this period the Group paid the preliminary expenses of this venture, which led to a loss of over HK$18,000,000 after a minor profit in the same period last year.

The Group is continuing to prepare to move to new headquarters in Taipo in the New Territories in Hong Kong, but the final preparation of the site has been delayed by the complexity of some of the technical renovations that are required to ensure that the production and broadcasting of programmes can be performed without any interruption. At present, the most likely date for the move to the new location will be in the first quarter of the coming year.

While future global economic trends and how they might impact on the Chinese domestic economy remain unclear, the management will continue to monitor the evolving economic situation closely, and seek to develop effective responses to any developments that impact on the Group's business. In the light of the Group's positive performance over the last nine months, and the fact that the Group is essentially debt-free, however, the management remains confident that Phoenix will not encounter serious problems during the current global economic downturn and that the Group's long-term prospects remain solid.

The directors (the "Directors") of Phoenix Satellite Television Holdings Limited (the "Company") have the pleasure of presenting the unaudited condensed consolidated income statement, condensed consolidated cash flow statement and consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 30 September 2008 (the "period"), and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2008, together with the comparative figures for the corresponding period and relevant date in 2007.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required to be 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 such Directors or chief executive was taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 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 to be notified to the Company and the Stock Exchange, were as follows:

### (1) Shares

| | Number of ordinary shares held | | | | |
|---|---|---|---|---|---|
| **Name** | **Personal/ other interest** | **Corporate interest** | **Total number of shares** | **Position** | **Percentage of shareholding** |
| LIU Changle *(Note 1)* | – | 1,854,000,000 | 1,854,000,000 | Long | 37.42% |
| LO Ka Shui *(Note 2)* | 4,630,000 | – | 4,630,000 | Long | 0.09% |

*Notes:*

1 As at 30 September 2008, Mr. LIU Changle was the beneficial owner of approximately 93.30% of the issued share capital of Today's Asia Limited, which in turn had an interest in approximately 37.42% of the issued share capital of the Company.

2 As at 30 September 2008, Dr. LO Ka Shui was the beneficial owner of 500,000 shares while 4,130,000 shares were held by a discretionary trust of which Dr. LO Ka Shui was the founder.

### (2) Share options

| Name of Director | Date of grant | Exercise period | Exercise price per share *HK$* | Underlying shares pursuant to the share options as at 30 September 2008 |
|---|---|---|---|---|
| LIU Changle | 14 June 2000 | 14 June 2001 to 13 June 2010 | 1.08 | 5,320,000 |
| CHUI Keung | 14 June 2000 | 14 June 2001 to 13 June 2010 | 1.08 | 3,990,000 |
| WANG Ji Yan | 14 June 2000 | 14 June 2001 to 13 June 2010 | 1.08 | 3,990,000 |

Save as disclosed above, so far as the Directors are aware, as at 30 September 2008, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required 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 the Director or chief executive was taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEMES

### (A) Share option schemes of the Company

On 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company ("Shareholders"), namely Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. In order to enhance the flexibility in the implementation of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the committee of two and four Directors established for the administration of each 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 10 December 2004 and the Post-IPO Share Option Scheme on 14 February 2001, 6 August 2002 and 10 December 2004, respectively.

### *(1) Pre-IPO Share Option Scheme*

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

| | | | | | Number of share options | | | |
|---|---|---|---|---|---|---|---|---|
| Type and number of remaining grantees | Date of grant | Vesting period | Exercise period | Exercise price per share *HK$* | Balance as at 1 January 2008 | Lapsed during the period | Exercised during the period | Balance as at 30 September 2008 |
| 3 Executive Directors: | | | | | | | | |
| LIU Changle | 14 June 2000 | 14 June 2000 to 13 June 2004 | 14 June 2001 to 13 June 2010 | 1.08 | 5,320,000 | – | – | 5,320,000 |
| CHUI Keung | 14 June 2000 | 14 June 2000 to 13 June 2004 | 14 June 2001 to 13 June 2010 | 1.08 | 3,990,000 | – | – | 3,990,000 |
| WANG Ji Yan | 14 June 2000 | 14 June 2000 to 13 June 2004 | 14 June 2001 to 13 June 2010 | 1.08 | 3,990,000 | – | – | 3,990,000 |
| 51 other employees | 14 June 2000 | 14 June 2000 to 13 June 2004 | 14 June 2001 to 13 June 2010 | 1.08 | 18,910,000 | (10,000) | (3,990,000) | 14,910,000 |
| Total: 54 employees | | | | | 32,210,000 | (10,000) | (3,990,000) | 28,210,000 |

During the nine months ended 30 September 2008, 3,990,000 options granted to an employee were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.67.

During the nine months ended 30 September 2008, 10,000 options granted to an employee lapsed when she ceased her employment with the Group.

Save as disclosed above, no other option had been granted or cancelled during the period.

During the nine months ended 30 September 2008, no option had been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the 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) Post-IPO Share Option Scheme*

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

| Type and number of remaining grantees | Date of grant | Vesting period | Exercise period | Exercise price per share *HK$* | Number of share options: Balance as at 1 January 2008 | Lapsed during the period | Exercised during the period | Balance as at 30 September 2008 |
|---|---|---|---|---|---|---|---|---|
| 1 employee | 15 February 2001 | 15 February 2001 to 14 February 2005 | 15 February 2002 to 14 February 2011 | 1.99 | 500,000 | – | – | 500,000 |
| 14 employees | 10 August 2001 | 10 August 2001 to 9 August 2005 | 10 August 2002 to 9 August 2011 | 1.13 | 6,210,000 | – | – | 6,210,000 |
| 2 employees | 20 December 2002 | 20 December 2002 to 19 December 2006 | 20 December 2003 to 19 December 2012 | 0.79 | 1,000,000 | – | – | 1,000,000 |
| 31 employees | 26 March 2007 | 26 March 2007 to 25 March 2011 | 26 March 2008 to 25 March 2017 | 1.45 | 12,422,000 | (266,000) | – | 12,156,000 |
| Total: 48 employees | | | | | 20,132,000 | (266,000) | – | 19,866,000 |

During the nine months ended 30 September 2008, 266,000 options granted to an employee lapsed when she ceased employment with the Group.

Save as disclosed above, no option had been granted, exercised or cancelled during the period.

During the nine months ended 30 September 2008, no option had been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Post-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 Post-IPO Share Option Scheme.

## (B) Share option schemes of the subsidiaries of the Company

### *(1) PHOENIXi Plan*

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan").

As at 30 September 2008, no options had been granted under the PHOENIXi Plan. PHOENIXi is currently undergoing a liquidation process.

### *(2) PNM Share Option Scheme*

On 20 June 2008, the Shareholders approved the share option scheme of Phoenix New Media Limited ("PNM Share Option Scheme"), a wholly-owned subsidiary of the Company.

During the nine months ended 30 September 2008, 67,000,000 options had been granted to eligible persons consisting of staff of Fenghuang On-line (Beijing) Information Technology Company Limited ("Fenghuang On-line"), a wholly-owned subsidiary of Phoenix New Media Limited, under the PNM Share Option Scheme. The details of the options granted under the PNM Share Option Scheme to the employees of the Group are as follows:

| | | | | Number of share options | | |
|---|---|---|---|---|---|---|
| **Grantees** | **Date of grant** | **Exercise period** | **Exercise price per share** *US$* | **Granted during the period** | **Exercised during the period** | **Balance as at 30 September 2008** |
| Liu Shuang *(Note)* | 2008.07.04 | 2008.07.04 – 2018.05.25 | 0.03215 | 12,000,000 | – | 12,000,000 |
| Li Ya *(Note)* | 2008.07.04 | 2008.07.04 – 2018.05.25 | 0.03215 | 8,800,000 | – | 8,800,000 |
| Liu Kexin *(Note)* | 2008.07.04 | 2008.07.04 – 2018.05.25 | 0.03215 | 6,000,000 | – | 6,000,000 |
| Wang Cheng *(Note)* | 2008.07.04 | 2008.07.04 – 2018.05.25 | 0.03215 | 5,200,000 | – | 5,200,000 |
| Wu Zheng *(Note)* | 2008.07.04 | 2008.07.04 – 2018.05.25 | 0.03215 | 4,000,000 | – | 4,000,000 |

| Grantees | Date of grant | Exercise period | Exercise price per share US$ | Number of share options: Granted during the period | Exercised during the period | Balance as at 30 September 2008 |
|---|---|---|---|---|---|---|
| Other staff of Fenghuang On-line | 2008.07.04 | 2008.07.04 – 2018.05.25 | 0.03215 | 23,953,200 | – | 23,953,200 |
| | | 2008.07.09 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.07.12 – 2018.05.25 | | 1,200 | – | 1,200 |
| | | 2008.07.13 – 2018.05.25 | | 1,200 | – | 1,200 |
| | | 2008.07.17 – 2018.05.25 | | 24,000 | – | 24,000 |
| | | 2008.07.20 – 2018.05.25 | | 4,000 | – | 4,000 |
| | | 2008.07.24 – 2018.05.25 | | 30,000 | – | 30,000 |
| | | 2008.07.26 – 2018.05.25 | | 20,000 | – | 20,000 |
| | | 2008.07.31 – 2018.05.25 | | 1,200 | – | 1,200 |
| | | 2008.08.02 – 2018.05.25 | | 13,000 | – | 13,000 |
| | | 2008.08.06 – 2018.05.25 | | 12,000 | – | 12,000 |
| | | 2008.08.13 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.08.20 – 2018.05.25 | | 18,000 | – | 18,000 |
| | | 2008.08.28 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.08.29 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.09.03 – 2018.05.25 | | 37,400 | – | 37,400 |
| | | 2008.09.04 – 2018.05.25 | | 32,000 | – | 32,000 |
| | | 2008.09.06 – 2018.05.25 | | 9,600 | – | 9,600 |
| | | 2008.09.10 – 2018.05.25 | | 2,406,000 | – | 2,406,000 |
| | | 2008.09.13 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.09.17 – 2018.05.25 | | 54,000 | – | 54,000 |
| | | 2008.09.20 – 2018.05.25 | | 4,000 | – | 4,000 |
| | | 2008.09.24 – 2018.05.25 | | 24,000 | – | 24,000 |
| | | 2008.09.27 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.10.08 – 2018.05.25 | | 20,000 | – | 20,000 |
| | | 2008.10.10 – 2018.05.25 | | 16,000 | – | 16,000 |
| | | 2008.10.15 – 2018.05.25 | | 11,000 | – | 11,000 |
| | | 2008.10.22 – 2018.05.25 | | 24,000 | – | 24,000 |
| | | 2008.10.23 – 2018.05.25 | | 18,000 | – | 18,000 |
| | | 2008.10.24 – 2018.05.25 | | 24,000 | – | 24,000 |
| | | 2008.10.29 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.10.31 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.11.05 – 2018.05.25 | | 24,000 | – | 24,000 |
| | | 2008.11.07 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.11.15 – 2018.05.25 | | 12,000 | – | 12,000 |
| | | 2008.11.19 – 2018.05.25 | | 32,000 | – | 32,000 |
| | | 2008.12.03 – 2018.05.25 | | 62,000 | – | 62,000 |
| | | 2008.12.10 – 2018.05.25 | | 12,000 | – | 12,000 |

| Grantees | Date of grant | Exercise period | Exercise price per share *US$* | Number of share options: Granted during the period | Exercised during the period | Balance as at 30 September 2008 |
|---|---|---|---|---|---|---|
| Other staff of Fenghuang On-line | 2008.07.04 | 2008.12.12 – 2018.05.25 | 0.03215 | 6,000 | – | 6,000 |
| | | 2008.12.17 – 2018.05.25 | | 44,000 | – | 44,000 |
| | | 2008.12.21 – 2018.05.25 | | 1,200 | – | 1,200 |
| | | 2008.12.24 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2008.12.26 – 2018.05.25 | | 25,000 | – | 25,000 |
| | | 2008.12.29 – 2018.05.25 | | 150,000 | – | 150,000 |
| | | 2009.01.02 – 2018.05.25 | | 100,000 | – | 100,000 |
| | | 2009.01.04 – 2018.05.25 | | 3,000 | – | 3,000 |
| | | 2009.01.06 – 2018.05.25 | | 12,000 | – | 12,000 |
| | | 2009.01.07 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2009.01.08 – 2018.05.25 | | 1,080,000 | – | 1,080,000 |
| | | 2009.01.11 – 2018.05.25 | | 3,000 | – | 3,000 |
| | | 2009.01.15 – 2018.05.25 | | 620,000 | – | 620,000 |
| | | 2009.01.28 – 2018.05.25 | | 12,000 | – | 12,000 |
| | | 2009.01.29 – 2018.05.25 | | 5,500 | – | 5,500 |
| | | 2009.02.14 – 2018.05.25 | | 550,000 | – | 550,000 |
| | | 2009.02.15 – 2018.05.25 | | 27,600 | – | 27,600 |
| | | 2009.02.18 – 2018.05.25 | | 3,000 | – | 3,000 |
| | | 2009.02.25 – 2018.05.25 | | 20,000 | – | 20,000 |
| | | 2009.02.26 – 2018.05.25 | | 12,000 | – | 12,000 |
| | | 2009.02.27 – 2018.05.25 | | 3,000 | – | 3,000 |
| | | 2009.02.28 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2009.03.01 – 2018.05.25 | | 11,000 | – | 11,000 |
| | | 2009.03.03 – 2018.05.25 | | 11,500 | – | 11,500 |
| | | 2009.03.10 – 2018.05.25 | | 60,500 | – | 60,500 |
| | | 2009.03.11 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2009.03.12 – 2018.05.25 | | 74,000 | – | 74,000 |
| | | 2009.03.13 – 2018.05.25 | | 9,600 | – | 9,600 |
| | | 2009.03.17 – 2018.05.25 | | 18,600 | – | 18,600 |
| | | 2009.03.19 – 2018.05.25 | | 32,000 | – | 32,000 |
| | | 2009.03.21 – 2018.05.25 | | 15,000 | – | 15,000 |
| | | 2009.03.24 – 2018.05.25 | | 32,600 | – | 32,600 |
| | | 2009.03.25 – 2018.05.25 | | 20,000 | – | 20,000 |
| | | 2009.03.26 – 2018.05.25 | | 3,600 | – | 3,600 |
| | | 2009.03.31 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2009.04.01 – 2018.05.25 | | 7,200 | – | 7,200 |
| | | 2009.04.02 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2009.04.07 – 2018.05.25 | | 19,200 | – | 19,200 |

| Grantees | Date of grant | Exercise period | Exercise price per share | Number of share options: Granted during the period | Exercised during the period | Balance as at 30 September 2008 |
|---|---|---|---|---|---|---|
| | | | *US$* | | | |
| Other staff of Fenghuang On-line | 2008.07.04 | 2009.04.09 – 2018.05.25 | 0.03215 | 3,000 | – | 3,000 |
| | | 2009.04.10 – 2018.05.25 | | 1,200 | – | 1,200 |
| | | 2009.04.14 – 2018.05.25 | | 3,600 | – | 3,600 |
| | | 2009.04.15 – 2018.05.25 | | 4,000 | – | 4,000 |
| | | 2009.04.21 – 2018.05.25 | | 4,200 | – | 4,200 |
| | | 2009.04.23 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2009.04.28 – 2018.05.25 | | 17,600 | – | 17,600 |
| | | 2009.05.04 – 2018.05.25 | | 20,000 | – | 20,000 |
| | | 2009.05.06 – 2018.05.25 | | 3,000 | – | 3,000 |
| | | 2009.05.12 – 2018.05.25 | | 6,000 | – | 6,000 |
| | | 2009.05.19 – 2018.05.25 | | 33,000 | – | 33,000 |
| | | 2009.05.20 – 2018.05.25 | | 3,000 | – | 3,000 |
| | | 2009.05.22 – 2018.05.25 | | 3,000 | – | 3,000 |
| | | 2009.05.23 – 2018.05.25 | | 9,600 | – | 9,600 |
| | | 2009.05.26 – 2018.05.25 | | 900,900 | – | 900,900 |
| | | | | 67,000,000 | – | 67,000,000 |

*Note:* The options granted in excess of the individual limit were approved by the Shareholders on 20 June 2008.

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

Save as disclosed above, during the nine months ended 30 September 2008, no option had been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the PNM 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 PNM Share Option Scheme.

## 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 Group companies, including any executive directors, to take up options to subscribe for shares. The maximum number of shares in respect of which options may be granted under the share option schemes must not exceed 10% of the issued share capital of the Company. The terms of the Pre-IPO Share Option Scheme were amended on 14 February 2001 and 10 December 2004 and the terms of the Post-IPO Share Option Scheme were amended on 14 February 2001, 6 August 2002 and 10 December 2004, respectively. A summary of the amended share option schemes is set out in the section headed "Share Option Schemes" of the annual report of the Company for the year ended 31 December 2007.

Save as disclosed herein, and other than those in connection with the Group reorganisation scheme prior to the Company's listing of shares, at no time during the period was the Company or any of the companies comprising the 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 Group's business to which the Company, or any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2008, so far as is known to the Directors and the chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO:

**(i) Long positions of substantial shareholders in the ordinary shares of the Company**

| Name of substantial shareholder | Number of shares | Percentage of shareholding |
|---|---|---|
| Today's Asia Limited *(Note 1)* | 1,854,000,000 | 37.42% |
| Extra Step Investments Limited *(Note 2)* | 983,000,000 | 19.84% |
| Xing Kong Chuan Mei Group Co., Ltd. *(Note 3)* | 871,000,000 | 17.58% |

*Notes:*

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

2. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited which in turn is a subsidiary of China Mobile Communications Corporation. By virtue of the SFO, China Mobile Communications Corporation and China Mobile (Hong Kong) Group Limited are deemed to be interested in the 983,000,000 shares held by Extra Step Investments Limited.

3. 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 LLC Australia Pty Limited, which in turn is a wholly-owned subsidiary of New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC is a wholly-owned subsidiary of STAR US Holdings Subsidiary, LLC, which in turn is a direct wholly-owned subsidiary of STAR US Holdings, Inc.. STAR US Holdings, Inc. is an indirect wholly-owned subsidiary of News Publishing Australia Limited, which is an indirect wholly-owned subsidiary of News Corporation.

   By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, News Publishers Investments Pty. Limited, News Cayman Holdings Limited and Star Group Limited are all deemed to be interested in the 871,000,000 shares held by Xing Kong Chuan Mei Group Co., Ltd..

**(ii) Long position of other person in the ordinary shares of the Company**

| Name of other person who has more than 5% interest | Number of shares | Percentage of shareholding |
|---|---|---|
| China Wise International Limited *(Note)* | 412,000,000 | 8.32% |

*Note:* China Wise International Limited is a wholly-owned subsidiary of Cultural Developments Limited, which in turn is a wholly-owned subsidiary of Bank of China Group Investment Limited. Bank of China Group Investment Limited is a wholly-owned subsidiary of Bank of China Limited, which in turn is a subsidiary of Central SAFE Investments Limited. By virtue of the SFO, Central SAFE Investments Limited, Bank of China Limited, Bank of China Group Investment Limited and Cultural Developments Limited are all deemed to be interested in the 412,000,000 shares held by China Wise International Limited.

Save as disclosed above, as at 30 September 2008, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who, as at 30 September 2008, had an interest or a short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were required to be entered in the register kept by the Company pursuant to section 336 of the SFO.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's article of association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

## COMPETING BUSINESS

Today's Asia Limited has interests in approximately 37.42%, of the share capital of the Company. Today's Asia Limited, together with its shareholder, Mr. LIU Changle, are deemed to be the management shareholders of the Company as defined under the GEM Listing Rules.

Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited. Vital Media Holdings Limited holds 100% of Dragon Viceroy Limited which in turn beneficially holds approximately 26.85% of Asia Television Limited ("ATV"), a Hong Kong based television broadcasting company. 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 People's Republic of China (the "PRC"). In August 2002, ATV received the approval from the authorities in the PRC to broadcast its Home and World channels through the cable system in the

Pearl Delta of Guangdong. ATV was also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license. Commencing from 31 December 2007, in addition to the two channels mentioned in the foregoing, ATV launched six digital channels including one CCTV-4 Channel.

Star Group Limited and its subsidiaries ("STAR") engage in the development, production and broadcasting of television programming to 53 countries throughout Asia. STAR's programming is distributed primarily via satellite to local cable and direct-to-home operators for distribution to their subscribers. STAR currently offers the following Chinese language channels: Channel [V] Mainland China, Channel [V] Taiwan, Star Chinese Movies and Xing Kong. Mr. Paul Francis Aiello and Mr. Lau Yu Leung, John, non-executive Directors, are directors of some of the companies in STAR.

Save as disclosed above, none of the Directors, or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) has any interests in a business which competes or may compete with the business of the Group.

## SPONSORS' INTERESTS

As at 30 June 2002, BOCI Asia Limited and Merrill Lynch Far East Limited ceased to be the sponsors of the Company upon expiration of the terms of contract after two years of service. The Company has no sponsor since 1 July 2002. Accordingly, no additional disclosure is made.

## ADVANCES TO AN ENTITY

Details of the relevant advance to an entity from the Group which exceeds 8% of the Group's total assets, as defined in rules 17.14 of the GEM Listing Rules, are set out in Note 9 to the financial statements.

## AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions of the Code on Corporate Governance Practices issued by the Stock Exchange. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, half-year reports and quarterly reports and to provide advices and comments thereon to the Board. The Audit Committee will meet at least four times a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The Audit Committee currently comprises one non-executive Director, namely Mr. LAU Yu Leung, John and three independent non-executive Directors, namely Dr. LO Ka Shui, Mr. LEUNG Hok Lim, and Mr. Thaddeus Thomas BECZAK (chairman of the Audit Committee).

The Audit Committee has already reviewed the Group's unaudited results for the nine months ended 30 September 2008.

On behalf of the Board
**LIU Changle**
*Chairman*

Hong Kong, 7 November 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

*For the three months and nine months ended 30 September 2008*

| | Note | For the three months ended 30 September 2008 HK$'000 | 2007 HK$'000 (Note 22) | For the nine months ended 30 September 2008 HK$'000 | 2007 HK$'000 (Note 22) |
|---|---|---|---|---|---|
| **Revenue** | 3 | **363,227** | 300,923 | **1,038,404** | 854,867 |
| **Operating expenses** | 4, 21 | **(248,099)** | (206,341) | **(710,341)** | (593,823) |
| **Selling, general and administrative expenses** | 4, 21 | **(45,759)** | (35,054) | **(117,375)** | (88,409) |
| **Other income** | | | | | |
| Interest income | | **3,397** | 6,266 | **10,917** | 18,851 |
| Other gains – net | 16 | **6,319** | 22,346 | **55,949** | 46,725 |
| **Share of (losses)/profits of jointly controlled entities** | | **(211)** | 187 | **(1,131)** | 74 |
| **Profit before income tax** | 4 | **78,874** | 88,327 | **276,423** | 238,285 |
| **Income tax expense** | 5 | **(17,506)** | (11,893) | **(45,738)** | (36,217) |
| **Profit for the period** | | **61,368** | 76,434 | **230,685** | 202,068 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | **65,183** | 76,392 | **238,347** | 200,383 |
| Minority interests | | **(3,815)** | 42 | **(7,662)** | 1,685 |
| | | **61,368** | 76,434 | **230,685** | 202,068 |
| **Earnings per share for profit attributable to the equity holders of the Company during the period** | | | | | |
| Basic earnings per share, Hong Kong cents | 7 | **1.32** | 1.54 | **4.81** | 4.05 |
| Diluted earnings per share, Hong Kong cents | 7 | **1.32** | 1.54 | **4.81** | 4.04 |

## CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

*As at 30 September 2008*

| | Note | **As at 30 September 2008** *HK$'000* | As at 31 December 2007 *HK$'000* (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Purchased programme and film rights, net | 10 | **25,723** | 17,823 |
| Lease premium for land | 11 | **371,259** | 132,810 |
| Property, plant and equipment, net | 12 | **437,808** | 248,951 |
| Intangible assets | | **4,225** | 2,705 |
| Investments in jointly controlled entities | 13 | **7,152** | 8,283 |
| Available-for-sale financial assets | | **962** | 962 |
| Financial assets at fair value through profit or loss | 14 | **24,208** | 39,757 |
| Prepayment for long term assets | 15 | **71,144** | – |
| Deferred income tax assets | | **6,464** | 8,272 |
| | | **948,945** | 459,563 |
| **Current assets** | | | |
| Accounts receivable, net | 8 | **35,575** | 25,666 |
| Prepayments, deposits and other receivables | 9 | **530,040** | 449,551 |
| Inventories | | **5,152** | 4,585 |
| Amounts due from related companies | 21 | **11,896** | 3,840 |
| Self-produced programmes | | **2,538** | 1,050 |
| Purchased programme and film rights, net | 10 | **4,188** | 2,889 |
| Financial assets at fair value through profit or loss | 14 | **36,174** | 36,881 |
| Loans and receivables | | **142,287** | 120,260 |
| Cash and cash equivalents | | **481,292** | 531,257 |
| | | **1,249,142** | 1,175,979 |
| **Total assets** | | **2,198,087** | 1,635,542 |

| | Note | As at 30 September 2008 HK$'000 | As at 31 December 2007 HK$'000 (Audited) |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | 17 | **495,441** | 495,042 |
| Reserves | | **1,067,083** | 890,323 |
| | | **1,562,524** | 1,385,365 |
| **Minority interests** | | **221,452** | 24,424 |
| **Total equity** | | **1,783,976** | 1,409,789 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provision for asset retirement reinstatement | | **5,085** | 4,912 |
| Deferred income tax liabilities | | **14,929** | 5,908 |
| | | **20,014** | 10,820 |
| **Current liabilities** | | | |
| Accounts payable, other payables and accruals | | **168,459** | 106,736 |
| Deferred income | | **169,483** | 95,365 |
| Amounts due to related companies | 21 | **742** | 3,506 |
| Profits tax payable | | **55,413** | 9,326 |
| | | **394,097** | 214,933 |
| **Total liabilities** | | **414,111** | 225,753 |
| **Total equity and liabilities** | | **2,198,087** | 1,635,542 |
| **Net current assets** | | **855,045** | 961,046 |
| **Total assets less current liabilities** | | **1,803,990** | 1,420,609 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

*For the nine months ended 30 September 2008*

| | Attributable to the Company's equity holders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Exchange reserve *HK$'000* | Employee share-based payment reserve *HK$'000* | Retained earnings *HK$'000* | Minority interests *HK$'000* | Total equity *HK$'000* |
| Balance at 1 January 2007 | 494,213 | 726,217 | 7,229 | – | (68,110) | 7,139 | 1,166,688 |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | – | – | 3,837 | – | – | – | 3,837 |
| Exercise of share options | 573 | 5,561 | – | – | – | – | 6,134 |
| Dividend related to 2006 | – | (69,243) | – | – | – | – | (69,243) |
| Profit for the period | – | – | – | – | 200,383 | 1,685 | 202,068 |
| Employee share-based payment | – | – | – | 1,281 | – | – | 1,281 |
| Investment in subsidiaries by minority shareholders | – | – | – | – | – | 17,500 | 17,500 |
| Balance at 30 September 2007 | 494,786 | 662,535 | 11,066 | 1,281 | 132,273 | 26,324 | 1,328,265 |

| | Attributable to the Company's equity holders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Statutory reserve *HK$'000* *(Note)* | Exchange reserve *HK$'000* | Employee share-based payment reserve *HK$'000* | Retained earnings *HK$'000* | Minority interests *HK$'000* | Total equity *HK$'000* |
| Balance at 1 January 2008 | 495,042 | 665,113 | 3,612 | 12,694 | 1,877 | 207,027 | 24,424 | 1,409,789 |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | – | 3 | – | 16,000 | – | – | – | 16,003 |
| Exercise of share options | 399 | 3,910 | – | – | – | – | – | 4,309 |
| Dividend related to 2007 | – | (89,179) | – | – | – | – | – | (89,179) |
| Profit for the period | – | – | – | – | – | 238,347 | (7,662) | 230,685 |
| Employee share-based payment *(Note 18)* | – | – | – | – | 7,679 | – | – | 7,679 |
| Investment in subsidiaries by minority shareholders | – | – | – | – | – | – | 204,690 | 204,690 |
| Balance at 30 September 2008 | 495,441 | 579,847 | 3,612 | 28,694 | 9,556 | 445,374 | 221,452 | 1,783,976 |

*Note:* The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED**
*For the nine months ended 30 September 2008*

| | For the nine months ended 30 September | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Net cash generated from operating activities | **350,330** | 200,041 |
| Net cash used in investing activities | **(522,715)** | (60,957) |
| Net cash generated from/(used in) financing activities | **107,956** | (63,109) |
| Net (decrease)/increase in cash and cash equivalents | **(64,429)** | 75,975 |
| Cash and cash equivalents at beginning of period | **531,257** | 543,417 |
| Exchange gains on cash and cash equivalents | **14,464** | 3,329 |
| Cash and cash equivalents at end of period | **481,292** | 622,721 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

## 1 GENERAL INFORMATION

Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") engage in satellite television broadcasting activities.

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is currently applying for transfer of the listing of its shares from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange.

These unaudited condensed consolidated financial statements were approved for issue by the Board of Directors of the Company on 7 November 2008.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### (a) Basis of preparation

The unaudited condensed consolidated interim financial information for the nine months ended 30 September 2008 of Phoenix Satellite Television Holdings Limited has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

These unaudited condensed consolidated financial statements have been prepared in accordance with those HKAS, Hong Kong Financial Reporting Standards ("HKFRS") standards and interpretations of HKAS (together "HKFRSs") issued and effective as at the time of preparing these financial statements.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2007.

### (b) Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions' (effective from 1 March 2007). HK(IFRIC) – Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. As the Group does not have any share-based transactions involving treasury shares or involving Group entities, HK(IFRIC) – Int 11 is not relevant to the Group's operations.

- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. As none of the Group's companies provide public sector services, HK(IFRIC) – Int 12 is not relevant to the Group's operations.

- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. As the Group operates only a defined contribution scheme, HK(IFRIC) – Int 14 is not relevant to the Group's operations.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. As the Group does not have any borrowings, HKAS 23 (Amendment) does not have any impact to the Group.

- HKFRS 2 (Amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009, Management is assessing the impact of changes to vesting conditions and cancellations on the Group's Post IPO share Option Scheme.

- HKFRS 3 (Amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

- HKAS 1 (Amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements', effective for annual periods beginning on or after 1 July 2009. Management is in the process of assessing the impact of the revised requirements of this standard.

- HKAS 32 (Amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of assessing the impact of this amendment.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. As none of the Group's companies operate any loyalty programmes, HK(IFRIC) – Int 13 is not relevant to the Group's operations.

- HK(IFRIC)-Int 15, 'Agreements for the Construction of Real Estate', effective for annual periods beginning on or after 1 January 2009. Management is in the process of assessing the impact of this interpretation.

- HK(IFRIC)-Int 16 'Hedges of a Net Investment in a Foreign Operation', effective for annual periods beginning on or after 1 October 2008. As the Group has no hedging instruments, HK(IFRIC)-Int 16 is not relevant to the Group's operations.

## 3 SEGMENTAL INFORMATION

At 30 September 2008, the Group is organised into four main business segments including:

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

(ii) Programme production and ancillary services;

(iii) New media – provision of website portal and value-added telecommunication services; and

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

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

| | For the three months ended 30 September | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Television broadcasting | | Programme production and ancillary services | | New media | | Other activities | | Inter-segment elimination | | Group | |
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* (*Note 22*) | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* (*Note 22*) | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* (*Note 22*) |
| Revenue | | | | | | | | | | | | |
| External sales | **341,074** | 269,795 | **–** | – | **7,626** | 20,105 | **14,527** | 11,023 | **–** | – | **363,227** | 300,923 |
| Inter-segment sales | **–** | – | **6,435** | 6,667 | **–** | – | **–** | 117 | **(6,435)** | (6,784) | **–** | – |
| Total revenue | **341,074** | 269,795 | **6,435** | 6,667 | **7,626** | 20,105 | **14,527** | 11,140 | **(6,435)** | (6,784) | **363,227** | 300,923 |
| Segment results | **134,879** | 80,519 | **(228)** | 110 | **(7,957)** | 12,871 | **(10,860)** | 3,560 | **–** | – | **115,834** | 97,060 |
| Unallocated income (*Note a*) | | | | | | | | | | | **7,945** | 29,472 |
| Unallocated expenses (*Note b*) | | | | | | | | | | | **(44,694)** | (38,392) |
| Profit before share of results of jointly controlled entities, income tax and minority interests | | | | | | | | | | | **79,085** | 88,140 |
| Share of (losses)/profits of jointly controlled entities | | | | | | | | | | | **(211)** | 187 |
| Income tax expense | | | | | | | | | | | **(17,506)** | (11,893) |
| Profit for the period | | | | | | | | | | | **61,368** | 76,434 |
| Minority interests | | | | | | | | | | | **3,815** | (42) |
| Profit attributable to equity holders of the Company | | | | | | | | | | | **65,183** | 76,392 |

| | For the nine months ended 30 September | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Television broadcasting** | | **Programme production and ancillary services** | | **New media** | | **Other activities** | | **Inter-segment elimination** | | **Group** | |
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* *(Note 22)* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* *(Note 22)* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* *(Note 22)* |
| Revenue | | | | | | | | | | | | |
| External sales | **963,165** | 786,473 | **–** | 5,327 | **35,113** | 35,077 | **40,126** | 27,990 | **–** | – | **1,038,404** | 854,867 |
| Inter-segment sales | **–** | 204 | **20,940** | 21,660 | **–** | – | **–** | 215 | **(20,940)** | (22,079) | **–** | – |
| Total revenue | **963,165** | 786,677 | **20,940** | 26,987 | **35,113** | 35,077 | **40,126** | 28,205 | **(20,940)** | (22,079) | **1,038,404** | 854,867 |
| Segment results | **347,477** | 257,457 | **12** | 776 | **2,136** | 17,021 | **(16,382)** | 4,371 | **–** | – | **333,243** | 279,625 |
| Unallocated income *(Note a)* | | | | | | | | | | | **65,302** | 60,099 |
| Unallocated expenses *(Note b)* | | | | | | | | | | | **(120,991)** | (101,513) |
| Profit before share of results of jointly controlled entities, income tax and minority interests | | | | | | | | | | | **277,554** | 238,211 |
| Share of (losses)/profits of jointly controlled entities | | | | | | | | | | | **(1,131)** | 74 |
| Income tax expense | | | | | | | | | | | **(45,738)** | (36,217) |
| Profit for the period | | | | | | | | | | | **230,685** | 202,068 |
| Minority interests | | | | | | | | | | | **7,662** | (1,685) |
| Profit attributable to equity holders of the Company | | | | | | | | | | | **238,347** | 200,383 |

*Notes:*

(a) Unallocated income represents income recognised on formation of a subsidiary with another third party investor to undertake the outdoor media business (Note 16(a)), income recognised on the acquisition of a subsidiary (Note 16(b)) and other gains such as exchange gain, interest income, fair value gain/(loss) on financial assets and liabilities (realised and unrealised).

(b) Unallocated expenses represent primarily:
- corporate staff costs;
- office rental;
- general administrative expenses; and
- marketing and advertising expenses that relate to the Group as a whole.

## 4 PROFIT BEFORE INCOME TAX

The following items have been credited/charged to the profit before income tax during the periods:

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Crediting** | | | | |
| Fair value (loss)/gain on financial assets at fair value through profit or loss (realised and unrealised), net | **(2,476)** | 1,090 | **215** | 4,482 |
| Gain on disposal of property, plant and equipment | **–** | 119 | **144** | 748 |
| Reversal of previously written off accounts receivables | **144** | 1,361 | **1,433** | 5,505 |
| Reversal of provision for impairment of receivables | **–** | 1,697 | **1,346** | 4,248 |
| Gain on the formation and additional capital injection into a subsidiary *(Note 16(a))* | **–** | 17,500 | **7,500** | 17,500 |
| Gain on the acquisition of a subsidiary *(Note 16(b))* | **–** | – | **14,264** | – |
| **Charging** | | | | |
| Amortisation of purchased programmes and film rights | **4,640** | 4,173 | **19,030** | 13,226 |
| Production costs of self-produced programmes | **32,135** | 34,131 | **99,892** | 95,989 |
| Transponder rental *(Note 21(i), (j), (k))* | **7,659** | 4,660 | **22,467** | 13,734 |
| Provision for impairment of receivables | **2,625** | 1,050 | **3,249** | 2,089 |
| Employee benefit expenses (including Directors' emoluments) | **96,893** | 74,809 | **263,570** | 216,062 |
| Operating lease rental in respect of | | | | |
| – Directors' quarters | **330** | 335 | **998** | 984 |
| – Land and buildings | **6,037** | 4,554 | **17,608** | 14,485 |
| Loss on disposal of property, plant and equipment | **140** | – | **164** | 27 |
| Depreciation expenses | **6,216** | 8,240 | **17,981** | 20,916 |
| Amortisation of lease premium for land | **436** | 334 | **1,307** | 1,000 |

## 5 INCOME TAX EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (nine months ended 30 September 2007: 17.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

The amount of taxation charged to the unaudited condensed consolidated income statement represents:

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Current income tax | | | | |
| – Hong Kong profits tax | **15,839** | 9,744 | **46,087** | 36,403 |
| – Overseas taxation | **–** | (10) | **188** | 3 |
| – Over provision of Hong Kong profits tax in prior year | **–** | – | **–** | (4,786) |
| Deferred income tax | **1,667** | 2,159 | **(537)** | 4,597 |
| | **17,506** | 11,893 | **45,738** | 36,217 |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the location in which the Company operates as follows:

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Profit before income tax | **78,874** | 88,327 | **276,423** | 238,285 |
| Calculated at a taxation rate of 16.5% (three months and nine months ended 30 September 2007: 17.5%) | **13,014** | 15,457 | **45,610** | 41,700 |
| Income not subject to taxation | **(1,488)** | (10,300) | **(11,969)** | (17,646) |
| Expenses not deductible for taxation purposes | **2,785** | 1,853 | **5,598** | 6,618 |
| Tax losses not recognised | **3,195** | 5,060 | **9,930** | 10,618 |
| Over provision of Hong Kong profits tax in prior years | | – | **–** | (4,786) |
| Others | **–** | (177) | **(3,431)** | (287) |
| Tax expense | **17,506** | 11,893 | **45,738** | 36,217 |

## 6 INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2008 (nine months ended 30 September 2007: Nil)

## 7 EARNINGS PER SHARE

**Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

| | **For the three months ended 30 September** | | **For the nine months ended 30 September** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Profit attributable to equity holders of the Company *(HK$'000)* | **65,183** | 76,392 | **238,347** | 200,383 |
| Weighted average number of ordinary shares in issue *('000)* | **4,954,412** | 4,947,559 | **4,954,284** | 4,945,074 |
| Basic earnings per share *(Hong Kong cents)* | **1.32** | 1.54 | **4.81** | 4.05 |

**Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary shares in issue to arrive at the weighted average number of ordinary shares for calculation of diluted earnings per share.

| | **For the three months ended 30 September** | | **For the nine months ended 30 September** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| Profit attributable to equity holders of the Company used to determine diluted earnings per share *(HK$'000)* | **65,183** | 76,392 | **238,347** | 200,383 |
| Weighted average number of ordinary shares in issue *('000)* | **4,954,412** | 4,947,559 | **4,954,284** | 4,945,074 |
| Adjustment for share options *('000)* | **230** | 17,726 | **3,413** | 14,168 |
| Weighted average number of ordinary shares for diluted earnings per share *('000)* | **4,954,642** | 4,965,285 | **4,957,697** | 4,959,242 |
| Diluted earnings per share *(Hong Kong cents)* | **1.32** | 1.54 | **4.81** | 4.04 |

## 8 ACCOUNTS RECEIVABLE, NET

| | **As at 30 September 2008** | As at 31 December 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Audited) |
| Accounts receivable | **45,683** | 34,289 |
| Less: Provision for impairment of receivables | **(10,108)** | (8,623) |
| | **35,575** | 25,666 |

The carrying amounts of accounts receivable, net, approximate their fair values.

The Group has appointed an advertising agent in the PRC to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (see Note 9). The Group generally requires customers to pay in advance.

| | **As at 30 September 2008** | As at 31 December 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Audited) |
| 0-30 days | **21,250** | 10,320 |
| 31-60 days | **9,482** | 6,062 |
| 61-90 days | **1,234** | 3,843 |
| 91-120 days | **1,880** | 2,821 |
| Over 120 days | **11,837** | 11,243 |
| | **45,683** | 34,289 |
| Less: Provision for impairment of receivables | **(10,108)** | (8,623) |
| | **35,575** | 25,666 |

There is no concentration of credit risk with respect to accounts receivable because the Group has a large number of customers.

The Group has recognised a loss of HK$2,625,000 and HK$3,249,000 (three months and nine months ended 30 September 2007: HK$1,050,000 and HK$2,089,000) for the impairment of its accounts receivable during the three months and nine months ended 30 September 2008 respectively. The loss has been included in selling, general and administrative expenses in the unaudited condensed consolidated income statement. The Group has written off HK$40,000 and HK$366,000 (three months and nine months ended 30 September 2007: HK$229,000 and HK$3,105,000) of accounts receivable against the provision for impairment of receivables and reversed HK$144,000 and HK$2,779,000 (three months and nine months ended 30 September 2007: HK$1,389,000 and HK$8,084,000) of the provision for impairment of receivables made in prior years during the three months and nine months ended 30 September 2008 respectively.

## 9 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK$382,030,000 (as at 31 December 2007: HK$377,501,000) owing from an advertising agent, Shenzhou, in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears interest at prevailing bank interest rates.

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 enacted in recent years has not laid out specific detailed implementation rules applicable to trust arrangements such as that of the Group with Shenzhou, therefore the extent of the enforceability of the arrangement is still unclear. Although the management recognises that the present arrangement is the only legally viable arrangement, the management will continue to monitor and explore alternatives to improve the situation.

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately HK$382,030,000 as at 30 September 2008 is fully recoverable and no provision is required. The balance is repayable on demand and is not pledged.

## 10 PURCHASED PROGRAMME AND FILM RIGHTS, NET

| | **For the nine months ended 30 September 2008** | For the year ended 31 December 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Audited) |
| Balance, beginning of period/year | **20,712** | 17,976 |
| Additions | **28,495** | 20,612 |
| Amortisation | **(19,030)** | (17,799) |
| Others | **(266)** | (77) |
| Balance, end of period/year | **29,911** | 20,712 |
| Less: Purchased programme and film rights – current portion | **(4,188)** | (2,889) |
| | **25,723** | 17,823 |

## 11 LEASE PREMIUM FOR LAND

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

| | **As at 30 September 2008** *HK$'000* | As at 31 December 2007 *HK$'000* (Audited) |
|---|---|---|
| In Hong Kong, held on: | | |
| Leases of over 10 to 50 years | **38,810** | 39,547 |
| Outside Hong Kong, held on: | | |
| Leases of over 10 to 50 years | **332,449** | 93,263 |
| | **371,259** | 132,810 |

The movement in the balance during the period is analysed as follows:

| | **For the nine months ended 30 September 2008** *HK$'000* | For the year ended 31 December 2007 *HK$'000* (Audited) |
|---|---|---|
| Balance, beginning of period/year | **132,810** | 74,696 |
| Additions *(Note a)* | **243,172** | 60,100 |
| Amortisation *(Note c)* | **(4,723)** | (1,986) |
| Balance, end of period/year *(Note b)* | **371,259** | 132,810 |

(a) Additions for the nine months ended 30 September 2008 represented:

Land use right for a piece of land in Chaoyang Park in Beijing.

On 9 April 2008, Phoenix Pictures Limited ("Phoenix Pictures"), an indirectly wholly owned subsidiary of the Company, acquired 鳳凰東方(北京)置業有限公司 (Phoenix Oriental (Beijing) Properties Company Limited) ("Phoenix Oriental"), which holds the land use rights for a piece of land in Chaoyang Park. The land use rights held by Phoenix Oriental has been consolidated into the financial statement of the Group since then.

The land at the south western corner of Chaoyang Park in Beijing was valued by independent appraisers as at 8 April 2008, the acquisition date of Phoenix Oriental. The fair value of the land as at acquisition date was RMB209,273,000 (equivalent to approximately HK$239,272,000). Subsequent to the acquisition of Phoenix Oriental, an amount of RMB3,398,100 (equivalent to approximately HK$3,885,000) was paid for the title registration for the land use right which has been capitalized as part of the cost of the land use right.

The Land, comprised of approximately 18,822 square metre and a permitted total gross floor area above ground of approximately 35,000 square metre, is for cultural, entertainment and office uses. Management intends the land to be used for the development of the Phoenix International Media Centre. The land use term of the land is 50 years from 10 October 2001.

(b) Included in the net book value as of 30 September 2008 is an amount of HK$17,647,000 which was paid by the Group pursuant to notification from the Shenzhen Municipal Bureau of Land Resources and Housing Management to the Shenzhen Municipal Bureau of Land Resources and Housing Management to obtain a title certificate in the name of Phoenix Satellite Television Company Limited (the "Phoenix Subsidiary"), a wholly-owned subsidiary of the Group, for the Group's upper ground space entitlement of approximately 8,500 square meters in the China Phoenix Building in Shenzhen. As of 30 September 2008, the Group was still awaiting the issuance of the title certificate to the Phoenix Subsidiary by the Shenzhen Municipal Government. The Directors are of the opinion that the title certificate of the Shenzhen Building will be issued in the near future. As at 30 September 2008, the Group's entitlement to use of its entitled areas in the building continues to be accounted for as a finance lease as the Group had not yet obtained title to these entitled areas. (See Note 12 (b)).

(c) For the nine months ended 30 September 2008, amortisation of lease premium for land capitalised in construction in progress under property, plant and equipment amounted to HK$3,416,000 (Nine months ended 30 September 2007: Nil).

## 12 PROPERTY, PLANT AND EQUIPMENT, NET

| | **For the nine months ended 30 September 2008** | For the year ended 31 December 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Audited) |
| Balance, beginning of period/year | **248,951** | 106,950 |
| Additions *(Note a)* | **206,538** | 170,281 |
| Exchange differences | **1,533** | 645 |
| Disposals | **(1,233)** | (1,267) |
| Depreciation | **(17,981)** | (27,432) |
| Impairment | **–** | (226) |
| Balance, end of period/year *(Note b)* | **437,808** | 248,951 |

(a) On 23 June 2006, the Group entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement") and a barter agreement (the "Barter Agreement") with Mission Hills Group Limited ("Mission Hills"). According to the Strategic Cooperation Agreement, the Group would provide advertising airtime on its satellite television channels and assist Mission Hills in the planning and promotion of the corporate image and branding of Mission Hills by using the Group's resources and leading position in the media industry. The contract term of the Strategic Cooperation Agreement is five years from the date of the contract.

Under the Barter Agreement, Mission Hills transferred the title, rights and interests of a villa ("the Villa") in Mission Hills in Residence development to the Group at a price of approximately HK$98,000,000 and in exchange, the Group would provide: (1) airtime for advertisements for five years from the date of the Barter Agreement of an equivalent value based on charging rates that are at a discount to the Group's normal rate card charges and (2) services related to the planning and promotion of the corporate image and branding of Mission Hills and its projects. The Group took possession of the Villa in July 2006 and received title in February 2007. Interior fitting out of the Villa began in 2007 and was completed in August 2008 at which time the balance was transferred from construction in progress to buildings, furniture and fixtures and leasehold improvement.

For the three months and nine months ended 30 September 2008, the Group recognised revenue of approximately HK$Nil and HK$7,621,000 (three months and nine months ended 30 September 2007: HK$3,085,000 and HK$5,288,000) for airtime utilised under the contract. As at 30 September 2008, the unutilised amount of airtime of HK$43,516,000 (as at 30 September 2007: HK$53,065,000) has been recorded in deferred income in the unaudited condensed consolidated balance sheet.

(b) The balance includes an amount of HK$30,848,000 which relates to the Group's entitlement to use 10,000 square meters in the China Phoenix Building in Shenzhen. China Phoenix Building was completed in December 2006 and the Group began fitting out its entitled areas in the building. Fitting out was completed in 2007 and the balance was transferred from construction in progress to buildings and leasehold improvements. The Group's entitlement to use was accounted for as a finance lease as at 30 September 2008. As at 30 September 2008, the cost of this capitalised finance lease was HK$30,848,000 (as at 31 December 2007: HK$30,848,000) with a net book value of HK$29,857,000 (as at 31 December 2007: HK$30,382,000). As at 30 September 2008, the Group was in the process of obtaining the title certificate to the approximately 8,500 square meters of the entitled areas through the payment of land premium and taxes (See Note 11(b)).

## 13 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

| | **For the nine months ended 30 September 2008** *HK$'000* | For the year ended 31 December 2007 *HK$'000* (Audited) |
|---|---|---|
| Unlisted investments, at cost, beginning of period/year | **13,246** | 13,246 |
| Less: Provision for impairment | **(472)** | (472) |
| Less: Share of jointly controlled entities' results – net loss | **(5,622)** | (4,491) |
| Unlisted investments, net, end of period/year | **7,152** | 8,283 |

Details of the jointly controlled entities as at 30 September 2008 were as follows:

| **Name** | **Place and date of incorporation** | **Place of operation** | **Principal activity** | **Percentage of equity interest held by the Group** | **Issued and fully paid share capital/registered capital** |
|---|---|---|---|---|---|
| China Global Television Limited | British Virgin Islands, 18 October 2001 | British Virgin Islands | Dormant | 50% | US$2 |
| 北京翡翠鳳凰文化投資咨詢有限公司 | The PRC, 27 June 2003 | The PRC | Dormant | 40% | RMB1,250,000 |
| 北京同步廣告傳播有限公司 *(Note)* | The PRC, 7 January 2005 | The PRC | Advertising business in radio broadcasting industry in the PRC | 45% | RMB30,000,000 |

*Note:*

On 8 June 2007, Hong Kong Phoenix Satellite Television Limited ("Hong Kong Phoenix"), an indirect wholly owned subsidiary of the Company, entered into an agreement (the "Agreement") with 北京廣播公司 (Beijing Broadcasting Company) and CBC Advertising Limited pursuant to which the registered capital of 北京同步廣告傳播有限公司 (Beijing Simulcast Communication Co Ltd) will be increased from RMB30,000,000 to RMB44,600,000. According to the Agreement, the increase in capital is to be contributed by Hong Kong Phoenix and CBC Advertising Limited as to RMB2,110,000 and RMB12,488,000, respectively. Subject to certain conditions, Hong Kong Phoenix and CBC Advertising Limited will have to inject no less than RMB422,000 and RMB2,497,600, respectively, five days prior to the application for the capital increment with the relevant authorities in Mainland China and must inject the remaining funds within one month after the issuance of the business license reflecting the capital increment. Immediately after the capital increment, the registered capital of 北京同步廣告傳播有限公司 owned by the Group, 北京廣播公司 and CBC Advertising Limited will change from 45%, 55% and 0% to 35%, 37% and 28% respectively.

On 27 May 2008, Hong Kong Phoenix entered into a new agreement with 北京廣播公司, 北京同步廣告傳播有限公司 and UPB International Media Limited which superseded the agreement dated 8 June 2007. Pursuant to the new agreement, the registered capital of 北京同步廣告傳播有限公司 will be increased from RMB30,000,000 to RMB61,348,000. Hong Kong Phoenix shall additionally inject RMB12,000,000 and become owner of 41.57% of the registered capital of the joint venture. As of 30 September 2008, the additional capital contribution had not been made by the Group.

Unaudited combined financial information of the jointly controlled entities was as follows:

| | **As at 30 September 2008** *HK$'000* | As at 31 December 2007 *HK$'000* |
|---|---|---|
| **Assets:** | | |
| Non-current assets | **187** | 229 |
| Current assets | **22,081** | 20,954 |
| | **22,268** | 21,183 |
| **Liabilities:** | | |
| Current liabilities | **1,310** | 110 |
| | **1,310** | 110 |
| **Net assets** | **20,958** | 21,073 |

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Income | **397** | 18,541 | **419** | 19,772 |
| Expenses | **(883)** | (18,131) | **(2,942)** | (19,634) |
| **(Loss)/profit after income tax** | **(486)** | 410 | **(2,523)** | 138 |

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities, and no contingent liabilities of the jointly controlled entities themselves.

## 14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **As at 30 September 2008** | As at 31 December 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Audited) |
| Unlisted investments at fair value | **60,382** | 76,638 |
| Less: Non-current portion | **(24,208)** | (39,757) |
| | **36,174** | 36,881 |

The above investments were designated as fair value through profit or loss on initial recognition. Investments with a maturity longer than one year at the inception date are classified as non-current. Changes in fair values (realised and unrealised) of financial assets at fair value through profit or loss are recognised in other income in the income statement.

As these investments are not publicly traded and in the absence of readily available information to determine the fair values of these investments, the Group has adopted the indicative market value provided by the issuers as its best estimate of the fair values of these investments.

As at 30 September 2008, the financial assets at fair value through profit and loss represent an equity-linked note which is tied to the price of the shares of HSBC Holdings PLC ("HSBC") with a carrying value of HK$36,174,000 and a commodity index participation note with a carrying value of HK$24,208,000.

The equity-linked note will mature on 5 December 2008. If the closing price of the shares of HSBC on 28 November 2008 is lower than HK$135.6945, the Group will receive approximately 300,000 shares of HSBC instead of the principal of the investment from the issuer. Any increase or decrease in the fair value of the equity linked note from 30 September 2008 to the maturity date will be recognised in the consolidated income statement as changes in the fair value occur. The shares received upon maturity will be carried at fair value on the balance sheet and any increase or decrease in the fair value of the shares will be recognised in the consolidated income statement in the period in which the change in fair value occurs.

The commodity index participation note will mature in October 2010. This commodity index participation note is 100% principal protected at maturity.

## 15 PREPAYMENT FOR THE LONG TERM ASSETS

As at 30 September 2008, a total of HK$71,144,000 was recorded as prepayments for long terms assets in the unaudited condensed consolidated balance sheet, representing deposits paid for broadcasting and other equipment.

## 16 OTHER GAINS, NET

### (a) Gain on the formation and additional capital injection into a subsidiary

The Group signed a cooperation agreement in 2007 (the "Cooperation Agreement") with Regal Fame Investments Limited ("Regal Fame"), a third party company, to incorporate a Hong Kong company named Phoenix Metropolis Media Company Limited ("Phoenix Metropolis Media"), formerly known as Phoenix Outdoor Media Company Limited, which is to set up wholly foreign-owned enterprises ("WFOE") and/or joint venture companies ("JV") in Mainland China to develop the outdoor media business.

In July 2007, the Group and Regal Fame each contributed HK$35,000,000 to Phoenix Metropolis Media (i.e. a total of HK$70,000,000) although the equity interest held by the Group and Regal Fame was 75% and 25% respectively. The excess of the Group's share of net assets of Phoenix Metropolis Media (i.e. HK$52,500,000) over the cost of the Group's investment (i.e. HK$35,000,000) amounting to HK$17,500,000 on the formation of Phoenix Metropolis Media was recognised as income and included in "Other gains" in the consolidated income statement for the year ended 31 December 2007.

By written resolutions dated 8 April 2008, the shareholders of Phoenix Metropolis Media resolved to increase the capital contribution into Phoenix Metropolis Media by a further HK$87,000,000 (that is from the original HK$70,000,000 to HK$157,000,000), in order to expand the investment in the outdoor media business in Mainland China. Based on the Cooperation Agreement, any additional capital injection after the original amount of HK$70,000,000 would be shared equally by the Group and Regal Fame up to a total capital injection of HK$100,000,000, and the remaining additional capital of HK$57,000,000 would be contributed by the Group and Regal Fame in accordance with their respective equity interest of 75% and 25%.

As of 30 September 2008, the total additional capital injection of HK$87,000,000 had been paid up by the Group and Regal Fame respectively.

The excess of the Group's share of net assets of Phoenix Metropolis Media resulting from the additional capital injection (i.e. HK$65,250,000) over the cost of the Group's additional investment (i.e. HK$57,750,000) has been recognised as income and included in "Other gains" in the consolidated income statement for the nine month period ended 30 September 2008.

As at 30 September 2008, three WFOEs and three JVs had been set up and consolidated into the unaudited condensed financial statements as of and for the nine months period ended 30 September 2008. Subsequent to 30 September 2008, the Group injected a further of RMB$3,000,000 into one of the JVs in Nanjing. The Group is also in the process of setting up another new JV in Guangzhou.

**(b) Gain on the acquisition of a subsidiary**

Phoenix Pictures entered into a capital increase contract (the "Capital Increase Contract") on 27 June 2007 and an amended and restated capital increase contract ("the Amended Contract") on 21 December 2007 with the existing shareholders of Phoenix Oriental pursuant to which Phoenix Pictures conditionally agreed to subscribe for 50% of the enlarged registered capital (the "Subscription") of Phoenix Oriental. The purpose of the investment is to participate in the development of a site (the "Land") situated at the south-western corner of Chaoyang Park, Chaoyang District, Beijing, into a building ("Phoenix International Media Centre") which will contain theatres and television programme studios to be used by the Group. The land use rights of the Land are owned by Phoenix Oriental pursuant to a land and project transfer contract with (Beijing Chaoyang Park Development & Management Co.) entered into in May 2006 and are for a term of 50 years from 10 October 2001. Upon completion of the project, the gross floor area of Phoenix International Media Centre will be allocated and distributed among the parties according to the Amended Contract in proportion to their respective equity interest in Phoenix Oriental. Phoenix Pictures will have priority in selecting the floors and locations in Phoenix International Media Centre.

According to the Amended Contract, the registered capital of Phoenix Oriental shall be increased from RMB10,000,000 to RMB300,000,000, among which RMB150,000,000 will be contributed by Phoenix Pictures, subject to the satisfaction of certain conditions, including obtaining all the necessary approvals from the Ministry of Commerce and/or its local branches for the Subscription and the conversion of Phoenix Oriental into a sino-foreign equity joint venture enterprise and other approvals from relevant authorities for the capital increment.

On 27 February 2008, a Certificate of Approval was issued to Phoenix Oriental by the Beijing Municipal People's Government approving the establishment of Phoenix Oriental as a sino-foreign equity joint venture enterprise. On 28 March 2008, the Group remitted RMB150,000,000 to Phoenix Oriental as its capital injection into Phoenix Oriental. On 8 April 2008, the capital verification report for the injection of additional capital by the various new shareholders of Phoenix Oriental was completed and on 9 April 2008, Phoenix Oriental became a subsidiary of the Group and the financial statements of Phoenix Oriental have been consolidated since that date.

As the share of fair value of the net assets acquired exceeds the Group's cost of acquisition, negative goodwill of approximately HK$14,264,000 was resulted. The amount was recognised in "Other gains" in the consolidated income statement for the nine months ended 30 September 2008.

## 17 SHARE CAPITAL

| | Nine months ended 30 September 2008 | | Year ended 31 December 2007 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| | | ***HK$'000*** | | *HK$'000* |
| | | | | (Audited) |
| **Authorised:** | | | | |
| Ordinary share of HK$0.1 each | **10,000,000,000** | **1,000,000** | 10,000,000,000 | 1,000,000 |
| **Issued and fully paid:** | | | | |
| Beginning of period/year | **4,950,422,000** | **495,042** | 4,942,126,000 | 494,213 |
| Exercise of share options | **3,990,000** | **399** | 8,296,000 | 829 |
| End of period/year | **4,954,412,000** | **495,441** | 4,950,422,000 | 495,042 |

## 18 SHARE OPTIONS OF A SUBSIDIARY

On 4 July 2008, Phoenix New Media Limited ("PNM"), an indirect wholly owned subsidiary of the Company, granted 67,000,000 share options of PNM to the employees of its subsidiary under the PNM Share Option Scheme. No vesting conditions were specified under the PNM Share Option Scheme.

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | **Average exercise price in US$ per share** | **Options** |
|---|---|---|
| | | *'000* |
| At 4 July 2008 | – | – |
| Granted | 0.03215 | 67,000 |
| Exercised | – | – |
| Lapsed | – | – |
| At 30 September 2008 | 0.03215 | 67,000 |

As at 30 September 2008, out of the 67,000,000 outstanding options, 36,041,000 were exercisable. As at 30 September 2008, none of the shares options had been exercised.

The share options outstanding as at 30 September 2008 will expire on 25 May 2018 and have an exercise price of US$0.03215.

The average fair value of the options granted during the period determined using the Black-Scholes valuation model was US$0.012 each. The significant assumptions used in the model were cashflow projections prepared by management, discount rate of 23.55%, the exercise price of US$0.03215 volatility of 58.71%, an expected option life of 3 to 6.5 years and annual risk-free interest rates ranging from 2.73% to 3.86%. The volatility was determined with reference to entities with similar business operations.

Total expenses recognised in the unaudited condensed consolidated income statement for these share options granted to the employees of PNM's subsidiary amounted to HK$6,478,000 for the three months and nine months ended 30 September 2008.

## 19 COMMITMENTS

### (a) Programme and film rights acquisition

As at 30 September 2008, the Group had no aggregate outstanding programme and film rights related commitments (as at 31 December 2007: HK$13,368,000) in respect of a film rights acquisition agreement with Star TV Filmed Entertainment Limited ("STAR Filmed") as the agreement expired on 27 August 2008. Total programme and film rights related commitments are analysed as follows:

| | **As at 30 September 2008** *HK$'000* | As at 31 December 2007 *HK$'000* (Audited) |
|---|---|---|
| Not later than one year | **–** | 13,368 |
| Later than one year and not later than five years | **–** | – |
| | **–** | 13,368 |

**(b) Capital commitments**

As at 30 September 2008, the Group had capital commitments of approximately HK$95,500,000 (as at 31 December 2007: HK$110,990,000) as follows:

| | **As at 30 September 2008** *HK$'000* | As at 31 December 2007 *HK$'000* (Audited) |
|---|---|---|
| Contracted but not provided for: | | |
| Not later than one year | **26,197** | 56,887 |
| Later than one year and not later than five years | **–** | – |
| Authorised but not contracted for | | |
| Not later than one year | **69,303** | 54,103 |
| Later than one year and not later than five years | **–** | – |
| | **95,500** | 110,990 |

## 20 BANKING FACILITIES

As at 30 September 2008, the Group had banking facilities amounting to approximately HK$18,605,000 (as at 31 December 2007: HK$19,067,000) of which approximately HK$11,440,000 (as at 31 December 2007: HK$11,440,000) was unutilised. The facilities are covered by counter indemnities from the Group. As at 30 September 2008, deposits of approximately HK$3,605,000 (as at 31 December 2007: HK$4,067,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

## 21 RELATED PARTY TRANSACTIONS

(i) The Group had the following significant transactions with the related parties as defined in HKAS 24 – Related Party Disclosures:

| | Notes | **For the three months ended 30 September** | | **For the nine months ended 30 September** | |
|---|---|---|---|---|---|
| | | **2008** | 2007 | **2008** | 2007 |
| | | ***HK\$'000*** | *HK\$'000* | ***HK\$'000*** | *HK\$'000* |
| Service charges paid/payable to Satellite Television Asian Region Limited ("STARL") | a, b | **12,831** | 13,927 | **40,009** | 40,665 |
| Commission for international subscription sales and marketing services paid/payable to STARL | a, c | **956** | 941 | **2,700** | 2,620 |
| Film licence fees paid/payable to STAR Filmed | a, d | **3,403** | 5,112 | **13,603** | 15,329 |
| Service charges paid/payable to Asia Television Limited ("ATV") | e, f | **–** | 70 | **125** | 309 |
| Service charges received/receivable from ATV | e, g | **279** | 321 | **850** | 962 |
| Service charges paid/payable to Fox News Network L.L.C. ("Fox") | h, i | **637** | 996 | **2,463** | 2,850 |
| Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB") | j, k | **298** | 311 | **909** | 918 |
| Service charges received/receivable from DIRECTV, Inc. ("DIRECTV") | l, m | **–** | 306 | **279** | 799 |
| Programme licence fees to SGL Entertainment Limited ("SGL") | a, n | **–** | – | **–** | 78 |
| Programme licence fees to STARL | a, o | **59** | – | **59** | – |
| Programme license fees paid/payable to Asia Television Enterprise Limited ("ATVE") | e, p | **–** | – | **234** | – |
| Advertising sales to China Mobile Communications Corporation and its subsidiaries ("theCMCC Group") | q, r | **9,953** | 9,653 | **29,054** | 22,675 |
| Key management compensation | iii | **4,316** | 4,999 | **12,948** | 14,997 |

*Notes:*

(a) STARL, STAR Filmed, SGL 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 equity holder of the Company.

(b) Service charges paid/payable to STARL cover a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 30 June 2006. The summary of the terms of the service agreement is set out in the section headed "New Star Services Agreement" of the circular of the Company dated 21 July 2006. Either fixed fees or variable fees are charged depending on the type of services utilised.

(c) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (2007: 15%) of the subscription fees generated and received by it on behalf of the Group.

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

(e) Mr. LIU Changle and Mr. CHAN Wing Kee beneficially owned 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly owned approximately 26.85% of ATV as at 30 September 2008.

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

(g) 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.

(h) Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

(i) Service charges paid/payable to Fox cover the following services provided to the 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.

(j) BSkyB is 39.14% owned by News Corporation, which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

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

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

(l) DIRECTV is not regarded as a related party or connected party of the Group with effect from 27 February 2008 after the completion of the share exchange agreement between the News Corporation and Liberty Media Corporation. As at 26 February 2008, DIRECTV was 40.97% directly owned by Fox Entertainment Group, Inc., which indirectly owned 100% of Fox. Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the Company.

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

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

(o) Programme license fees to STARL are charged based on terms specified in a license agreement.

(p) Pursuant to a programme licensing agreement dated 29 May 2003, the programme license fees paid/payable to ATVE with respect to a list of programmes as stipulated in the schedule of the agreement are charged at a fixed fee or fees to be mutually agreed.

(q) The CMCC Group, through a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.84% of the issued share capital of the Company.

(r) Advertising sales to the CMCC Group are related to airtime advertising and programme sponsoring on channels operated by the Group.

(ii) Period/year end balances arising from related parties transactions as disclosed in Note 21(i) above were as follows:

| | **As at 30 September 2008** *HK$'000* | As at 31 December 2007 *HK$'000* (Audited) |
|---|---|---|
| Amounts due from related companies | **11,896** | 3,840 |
| Amounts due to related companies | **(742)** | (3,506) |

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand.

(iii) Key management compensation

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Salaries | **2,895** | 3,293 | **8,685** | 9,879 |
| Quarters and housing allowance | **1,132** | 1,377 | **3,396** | 4,131 |
| Pension fund | **289** | 329 | **867** | 987 |
| | **4,316** | 4,999 | **12,948** | 14,997 |

## 22 COMPARATIVE FIGURES

Certain of the 2007 comparative figures have been reclassified to conform to the current quarter's presentation. Certain income relating to ancillary television broadcasting and programme production have been reclassified from other income to revenue.

*As at the date of this announcement, the executive directors of the Company are Mr. LIU Changle, Mr. CHUI Keung and Mr. WANG Ji Yan, the non-executive directors of the Company are Mr. LU Xiangdong, Mr. GAO Nianshu, Mr. Paul Francis AIELLO, Mr. LAU Yu Leung John and Mr. GONG Jianzhong and the independent non-executive directors of the Company are Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.*

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