

**PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED (STOCK CODE : 8002)**

**PRESS RELEASE ON RESULTS FOR 2006 FINANCIAL YEAR**

The Chairman and Chief Executive Officer of Phoenix Satellite Television, Mr. Liu Changle, said today that he was extremely pleased to announce the company's results for the 2006 financial year. The Phoenix Group once again made a profit, this year reaching 212 million HK dollars, which was an 17.0 percent increase over the previous year. Mr. Liu said that the results for 2006 provided strong evidence that the Phoenix Group had now developed a business model which had not only consolidated the turn-around that Phoenix achieved in 2004 but which also appears likely to work very well in the coming years. Liu Changle said that the key points of the Group's 2006 performance are as follows:

- Revenue for the year ended 31 December 2006 was 2.2% higher than the previous year, once again exceeding one billion HK dollars, reaching approximately HK\$1,057,667,000.
- The increase in revenue generated an annual profit attributable to equity holders of approximately HK\$212,385,000, which was an 17.0% improvement over the profit achieved in 2005.
- The performance of InfoNews remained relatively stable, with a marginal increase in revenue being offset by a rise in operating costs.
- The Board recommended a final dividend of HK\$0.014 per share.

**FINANCIAL DETAILS**

The Group's revenue for 2006 increased 2.2% over that of 2005, which in fact consolidated the major turn-around that the Group achieved in 2004 after several loss-making years. Profit attributable to equity holders reached a record high.

The Group's revenue for the year ended 31 December 2006 was approximately HK\$1,057,667,000, which represented a moderate growth of 2.2% when compared with 2005. Total operating costs remained at a steady level, with a marginal decrease of 1.1% to approximately HK\$866,813,000. The major fluctuation in the operating costs was the increase of programming costs, but this was offset by the reduction of doubtful debt provision.

The Group's profit from operations and profit attributable to equity holders for the 2006 financial year were approximately HK\$190,854,000 and HK\$212,385,000 respectively. These figures represented improvements of approximately HK\$32,169,000 and HK\$30,903,000 respectively over the 2005 financial year. During 2006 the Group recognized a deferred tax asset amounting to approximately HK\$13,900,000, which provided a one-off boost to the Group's income.

The chart presented below compares the Group's performance for the year ended 31 December 2006 with that for the 2005 financial year in order to give a clearer picture of the overall trend of the Group's operations.

	Year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Phoenix Chinese Channel	722,697	749,650
Phoenix InfoNews Channel	223,550	165,186
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	68,575	61,962
Other businesses	42,845	57,970
Group's total revenue	1,057,667	1,034,768
Operating costs	(866,813)	(876,083)
Profit from operations	190,854	158,685
Profit attributable to equity holders of the Company	212,385	181,482*
Earnings per share, Hong Kong cents	4.30	3.67

\* This figure included the one-off gain from the disposal of 50% of Phoenix's interest in the property in Shenzhen, which amounted to approximately HK\$12,000,000 in the second quarter of 2005, and an unexpected increase in other revenue of approximately HK\$10,000,000 in the third quarter of 2005 that resulted from the upward movement of the Renminbi against the Hong Kong dollar in July 2005.

The following table compares the operating results of the Group's businesses for the year ended 31 December 2006 with those achieved in the 2005 financial year.

	Year ended 31 December	
	2006	2005
	HK\$'000	HK\$'000
Phoenix Chinese Channel	370,715	353,569
Phoenix InfoNews Channel	33,245	(12,573)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	(58,612)	(60,495)
Other businesses	(8,887)	(3,760)
Corporate overheads	(145,607)	(118,056)**
Profit from operations	<u>190,854</u>	<u>158,685</u>

\*\* Corporate overheads in 2005 included a non-recurring write back of an over-provision for commission expenses which amounted to approximately HK\$8,000,000.

## BUSINESS OVERVIEW AND PROSPECTS

The Phoenix Group's basic television business continued to perform well. The Phoenix Chinese Channel, which is still the core component of the Group, has maintained its position by featuring a wide array of entertainment and information programmes, ranging from talk shows and interviews through to human-interest stories about the personal hardships people can face in a time of very rapid economic and social change, that cater to the tastes of the

Chinese-speaking audience in mainland China and beyond. Phoenix Chinese Channel revenue decreased slightly compared with the previous year, but this decrease was more than offset by a significant jump in the income of InfoNews, which achieved a record high in 2006.

InfoNews continued to be the outstanding broadcaster of international news in the Chinese-language market, and made a major contribution to the Phoenix brand name, underscoring Phoenix's reputation for a global outlook and real-time information.

During this period InfoNews provided comprehensive coverage of breaking international news, including real-time coverage of the continuing violence in Iraq, the Israeli incursion into Lebanon, where a team of Phoenix reporters did on-the-spot reports on the fighting, the Iranian nuclear programme, and the North Korean missile launches and nuclear test. Phoenix also followed key China-related stories, such as President Hu Jintao's visit to the United States, and Kim Jong-il's unpublicised visit to China. Phoenix did extensive reporting on Taiwan, including on the mass protests aimed at removing Chen Shui-bian from office, which were rarely mentioned by any other Chinese-language television services broadcasting to the mainland Chinese audience.

Phoenix placed special emphasis on China/United States relations at the time of President Hu Jintao's visit to the United States. Phoenix interviewed the then Deputy-Secretary of State Robert Zoellick, held exchanges with a number of American commentators including former Secretary of State Dr. Henry Kissinger, and joined with the Brookings Institution to organise a forum on China/U.S relations featuring a range of American and Chinese experts.

Phoenix celebrated its tenth anniversary on 31 March 2006 with a spectacular event at Hong Kong AsiaWorld-Expo. This occasion provided an opportunity to showcase both Phoenix's capacity for entertainment, and its concern with social issues and international developments. A number of Hong Kong celebrities, including Jackie Chan, Andy Lau, and Eric Tseng, took part, as did a range of government and religious figures, along with people who had witnessed some of the worst events of recent years, including the terrorist attack on New York's World Trade Center and the Biselan massacre in southern Russia.

Phoenix further consolidated its global reach in 2006, and began broadcasting to the two major regions that previously had no access to Phoenix programming. The North American Channel and InfoNews both began to broadcast across South America on the SATMEX-6 satellite in April, and InfoNews began to be carried on TELSTAR-12 in May, which enabled it to reach South Africa, where a sizeable Chinese minority had previously been unable to receive Phoenix. The Group strengthened its already well-established position in South-East Asia, reaching an agreement with the largest Philippines cable operator, Sky Cable, to begin carrying both the Chinese Channel and InfoNews in May 2007.

The unique position that Phoenix occupies in the global Chinese-speaking world was exemplified by Phoenix Satellite Television's sponsorship and hosting of the International Academy Day in Beijing in August, which was organised by the New York-based International Academy of Television Arts and Sciences.

In September, the Group entered into an agreement with Freescale Semiconductor Hong Kong Limited to acquire a site in Tai Po, Hong Kong, in order to provide more spacious premises to cope with the future expansion of the Group's business and operational activities. The Group will take over the Tai Po site in late May 2007 and plans to move in after the refitting is completed in late 2007 or early 2008. This transaction is not expected to have any material impact on the liquidity of the Group.

The Group is closely following the key trends in the Chinese television market, as mainland television companies increasingly compete for market share by developing innovative programming. The Group remains confident, however, that it can maintain its position as the main Mandarin Chinese-language television broadcaster that is based outside mainland China.

The Group has also been exploring other outlets for its content in order to ensure that the effort it invests in producing new and innovative programming generates the maximum financial returns possible. This process led to Phoenix entering into a strategic agreement with China Mobile to jointly develop, market and distribute wireless content, products, services and new media applications. This agreement involved changes in the Group's shareholding in August, when China Mobile (Hong Kong) Group Limited acquired a 19.9% interest in the Group from Xing Kong Chuan Mei Group Co., Ltd.. This arrangement creates a framework for Phoenix to cooperate with China's largest mobile phone operator, thereby enabling the Group to have direct access to China Mobile's network and provide content for China Mobile once mainland telecommunications companies begin to provide 3G services.

Finally, the Chinese economy remains buoyant, and should prove a steady source of advertising revenue. Moreover, the Group's experience over the past ten years also engenders confidence that Phoenix will continue to grow and prosper. During this period Phoenix has evolved from a one-channel broadcaster in Hong Kong into a multi-channel system that has global reach and which is the preferred Chinese-language media platform for foreign leaders who want to communicate with key audiences in China. Mr. Liu said that he and his colleagues believe that the dynamism that the Group has displayed over the past decade will carry Phoenix forward to even greater successes in the future.

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED  
8 March, 2007

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## **ABOUT PHOENIX**

Phoenix Chinese Channel was launched on 31 March, 1996, with the aim of offering quality content to Chinese communities around the world. The dynamism of this massive market, combined with successful expansion strategies, has allowed Phoenix to develop a comprehensive multi-channel platform. Today, Phoenix Chinese, Phoenix Movies, Phoenix InfoNews, Phoenix Chinese News and Entertainment and Phoenix North America Chinese channels together broadcast to audiences in the Asia Pacific, as well as in Europe, North America and North Africa, covering more than 100 countries and regions. The mission of the group is to offer varied, high-quality content to the global Chinese population.

Phoenix Satellite Television Holdings Limited was listed on the SEHK Growth Enterprise Market (GEM) on 30 June 2000.

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Further information about Phoenix Satellite Television Holdings Limited can be found at [www.phoenixtv.com](http://www.phoenixtv.com) and [www.hkgem.com](http://www.hkgem.com)