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 YEAR ENDED 31 DECEMBER 2004

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

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

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

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

The directors of Phoenix Satellite Television Holdings Limited (the "Directors") collectively and individually accept full responsibility for this announcement which includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Phoenix Satellite Television Holdings Limited. The Directors confirm, having made all reasonable enquires, that to the best of their knowledge and belief, (i) the information contained in the announcement are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this announcement have been arrived at after due and careful consideration on the bases and assumptions that are fair and reasonable.

FINANCIAL SUMMARY

- The Group's revenue for the first time exceeded one billion. Revenue for the year ended 31 December 2004 was 56.9% higher than the previous year, and was approximately HK$1,113,048,000.
- The substantial increase in revenue generated an annual profit attributable to shareholders of approximately HK$150,494,000, which was a marked turn-around after a loss of approximately HK$72,937,000 in 2003.
- The performance of InfoNews continued to be encouraging, with revenue for 2004 reaching approximately HK$189,768,000, which was a dramatic jump from approximately HK$26,873,000 it made during 2003.
- The Board recommended a final dividend of HK$0.01 per share.

RESULTS

This year represented a dramatic turn-around for the Phoenix Group. The Group's revenue for 2004 increased 56.9% over that of 2003 to approximately HK$1,113,048,000. The growth in advertising revenue, which represented over 90% of the Group's total revenue, was the major contributor. Profit attributable to shareholders reached a record high of approximately HK$150,494,000. Operating costs increased by 22.2% to approximately HK$974,512,000, mainly as a consequence of the increase in commission expenses incurred by the substantial rise in advertising revenue.

The Group's profit from operations and profit attributable to shareholders for the year ended 31 December 2004 were approximately HK$138,536,000 and HK$150,494,000 respectively. Compared to same period of 2003, there were significant improvements of approximately HK$226,443,000 and HK$223,431,000 respectively.

The chart of results presented below compares the performance of the year ended 31 December 2004 with that of the same period of 2003 in order to give a clearer picture of the overall trend of the Group's operations.

	Year ended 31 December	
	2004	2003
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**828,042**	605,446
Phoenix InfoNews Channel	**189,768**	26,873
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**54,328**	53,514
Other businesses	**40,910**	23,554
Group's total revenue	**1,113,048**	709,387
Profit/(Loss) from operations	**138,536**	(87,907)
Profit/(Loss) attributable to shareholders	**150,494**	(72,937)
Earnings/(Loss) per share, Hong Kong cents	**3.05**	(1.47)

BUSINESS OVERVIEW AND PROSPECTS

2004 was a remarkably successful year for the Phoenix Group. The Group's annual revenue exceeded one billion Hong Kong dollars for the first time in the company's history, and at the same time was able to keep operating costs under tight control, leading to a substantial profit of approximately 150 million Hong Kong dollars. After two consecutive loss-making years this was an exceptional performance, and the Board believes that this performance is set to be continued over the coming twelve-month period. Therefore, the Directors recommend a final dividend of HK$0.01 per share. No dividend has previously ever been declared or paid by the Company.

One of the main factors behind the Group's success during 2004 was the introduction of a new multi-agency advertising sales system, which allowed advertising agencies across China to market advertising on behalf of Phoenix. This new system has produced a much more dynamic and comprehensive network of advertising agencies with an interest in marketing Phoenix, with the consequence that advertising sales have grown at a rapid rate.

Another major driver behind this exceptional outcome was the rising fortunes of InfoNews, which in 2003 generated less than 4% of the Group's total income, but which in 2004 contributed 17% of the Group's total income. When it was established in 2001 InfoNews was a serious strain on the Group's financial situation, but in the less than two years since it was granted landing rights in mainland China InfoNews has more or less reached the break-even point. The new advertising sales system has undoubtedly contributed to this turn-around in InfoNews' financial performance, but another major factor has been the growing recognition by the Chinese television audience that InfoNews offers by far the most comprehensive news service available in Mandarin Chinese, not only in mainland China but also in other parts of the globe.

During 2004 InfoNews was among the forefront of international television news agencies reporting on global events. InfoNews provided a steady stream of reporting on the continued fighting in Iraq, the Israeli/Palestine dispute and the death of Arafat; it covered the tragic Bislan massacre in Russia with reporters on the spot who followed events from close quarters as they unfolded; and extensive coverage of the United States presidential elections. InfoNews also provided comprehensive coverage of regional developments of direct interest to the Greater China region: it featured the Taiwan presidential election, including the assassination attempt on Chen Shui-bian and the live broadcast of his inauguration; it also followed the North Korean nuclear issue and the Six-Party Talks, and had an exclusive interview with United States Secretary of State Colin Powell during his visit to Beijing last October.

Phoenix Chinese Channel remained the Group's flagship, and continued to generate the bulk of the Group's income. It maintained the Phoenix tradition of innovative programming, and remained at the cutting edge of the increasingly competitive mainland Chinese television market. During 2004 Phoenix Chinese Channel had considerable success with a series of documentaries, some on historical themes and others focusing on contemporary issues such as AIDS, which were able to attract considerable advertising revenue. Phoenix Chinese Channel once again staged the Miss Chinese Cosmos Pageant, which was held in Hong Kong in November, with contestants coming from all over the world.

The success of both Phoenix Chinese and InfoNews reflects a substantial growth in awareness of the Phoenix brand name. This in turn has helped to boost the popularity of the Group's international channels, the Phoenix North America Chinese Channel and the Phoenix Chinese News and Entertainment Channel covering the United States and Europe respectively. The growth of brand name awareness has also been augmented by the Phoenix website, which has been identified by Internet Weekly, China's leading internet magazine as one of the five most influential websites in China. Phoenix Website has an average daily consolidated page view of approximately 15,000,000 and an average daily visitor number of approximately 1,200,000 and has provided content for various value-added services such as short message service (SMS) and multi-media service (MMS). The Phoenix Weekly magazine, which features articles on a wide variety of subjects, is available in both Hong Kong and mainland China and more than 2,000,000 copies were sold in 2004. Phoenix Weekly is part of the inflight magazines of the major airlines operating in mainland China, including Dragonair and China Southern Airlines.

Phoenix's global reach has also continued to expand, with InfoNews officially launch in the United States, Malaysia and Singapore. Phoenix has also greatly strengthened its position in Hong Kong as Phoenix Chinese Channel and InfoNews are now available on almost all the main pay TV broadcasting media operating in the Special Administrative Region.

The Group is also looking for ways to take advantage of the new technologies that are now becoming available for carrying television programming. At present InfoNews is available on 3G in Hong Kong and Phoenix is exploring the potential to establish arrangements with 3G mobile phone operators, internet protocol television broadcasters as well as broadband operators to carry Phoenix programming in other places. The Group is also considering taking advantage of the new regulations that have been issued by the Chinese authorities, allowing foreign investors to hold up to 49 % of programme-production companies.

The management is very optimistic about the Group's prospects for the coming year. The new advertising marketing system shows every indication of continuing to generate a high level of income, and InfoNews' performance in 2004 underscores that it is well equipped to win an ever larger audience in mainland China and beyond.

Finally, I would like to acknowledge the enormous contribution that the staff of Phoenix has made to the Group's success in 2004. The hard work, team spirit and creativity that the staff has collectively displayed has been an essential factor in last year's performance. I would also like to acknowledge the courage that our reporting teams have some times had to display when reporting from war zones or scenes of violence, such as Bislan at the time of the massacre there. The courage of these men and women representing Phoenix has enabled to group to be at the forefront of global media organisations reporting on international crises and conflicts.

MANAGEMENT DISCUSSION AND ANALYSIS

To facilitate better understanding of the Group's performance, the comparison presented below covered the year ended 31 December 2004 and 31 December 2003 (unaudited).

COMMENTS ON SEGMENTAL INFORMATION

The table below shows the comparison of operating results of our businesses for the year ended 31 December 2004 and 2003 respectively.

	Year ended 31 December	
	2004	2003
	HK$'000	*HK$'000*
		(Unaudited)
Phoenix Chinese Channel	**324,302**	185,452
Phoenix InfoNews Channel	**(3,493)**	(110,159)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(53,082)**	(49,412)
Other businesses	**(543)**	(14,733)
Corporate overheads	**(128,648)**	(99,055)
Profit/(Loss) from operations	**138,536**	(87,907)

Revenues from television broadcasting, comprising of both advertising and subscription revenues, which accounted for 96.3% of the Group's total revenue for the year ended 31 December 2004, increased by 56.3% to approximately HK$1,072,138,000 (year ended 31 December 2003: HK$685,834,000). The segmental result for television broadcasting recorded a profit of approximately HK$274,477,000 for the same year (year ended 31 December 2003: HK$24,221,000).

Revenue from the Group's flagship channel, Phoenix Chinese Channel, which accounted for 74.4% of the Group's total revenue for the year ended 31 December 2004, increased satisfactorily by 36.8% to approximately HK$828,042,000 (year ended 31 December 2003: HK$605,446,000).

Having strengthened programming and placed greater emphasis on viewership expansion, Phoenix InfoNews Channel's revenue increased dramatically. Its revenue was about seven times that of the previous year, jumping to approximately HK$189,768,000 (year ended 31 December 2003: HK$26,873,000). The operating loss was largely reduced by 96.8% to approximately HK$3,493,000 for the year ended 31 December 2004 (year ended 31 December 2003: HK$110,159,000).

Phoenix Chinese Channel's revenue maintained its healthy growth, whilst Phoenix InfoNews Channel's revenue grew from last year's 3.8% of the Group's total revenue to this year's 17.0%. Furthermore, Phoenix InfoNews Channel's performance improved substantially, and was almost breaking even in just 24 months after PRC landing rights were granted.

Revenue of Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel maintained steady growth, though this increase in revenue was offset by the decrease in the revenue of Phoenix Movies Channel due to the termination of the minimum guarantee arrangement with an agent in the PRC for this channel.

Revenue from programme production and ancillary services improved steadily to approximately HK$27,219,000, which included intra-group sales of approximately HK$23,812,000, for the year ended 31 December 2004 (year ended 31 December 2003: total revenue – HK$23,075,000; intra-group sales – HK$18,725,000). Segmental results for programme production and ancillary services hence recorded a profit of approximately HK$1,733,000 for the year, as compared with a loss of approximately HK$3,313,000 in the previous year.

The performance of the internet services improved satisfactorily for the past year. Segmental loss for the internet services was approximately HK$2,450,000 for the year ended 31 December 2004 (year ended 31 December 2003: HK$9,441,000), representing a decrease of 74.0% as compared with the previous year. This reduction in loss was mainly attributable to the increase in income from the success in exploring new revenue sources.

Other activities, which included advertising & subscription revenue from the Phoenix Weekly magazine and handling income from television subscriptions, contributed marginally to the Group for the year ended 31 December 2004.

Increase of corporate overheads was mainly attributable to the increase in staff costs and additional expenditure on promotional events and marketing activities.

Please refer to note 2 to the accounts for a detailed analysis on segmental information and the television broadcasting section under the "Business Overview" in this report for commentary on our core business.

DIVIDEND

The Board has resolved to recommend a final dividend of HK$0.01 per ordinary share for the year ended 31 December 2004 (2003: Nil). Upon approval by the shareholders, the final dividend will be paid on or about 8 July 2005 to shareholders whose names appear on the register of members of the Company on 23 June 2005.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Pursuant to an agreement dated 29 October 2003 entered into by the Phoenix Group and Oasiscity Limited ("Oasiscity"), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of the Stock Exchange, Oasiscity acquired 60% interest in Phoenix Real Properties Limited ("Real Properties"), which owns 90% interest in 深圳鳳凰置業有限公司. The acquisition was completed on 13 January 2004.

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

On 5 August 2004, the Group entered into an agreement with 北京廣播公司 to form a sino-foreign joint venture, 北京同步廣告傳播有限公司, in the PRC. The joint venture will focus on developing advertising businesses in radio broadcasting industry. Pursuant to the agreement, the Group shall inject approximately HK$12,900,000 (equivalent to RMB13,500,000) for a 45% shareholding in this joint venture, of which HK$11,500,000 (equivalent to RMB12,000,000) shall be paid within three months from the date of issue of the business license of the joint venture and the remaining amount shall be paid within thirty-six months from the said date. The business license of the joint venture was issued in January 2005 and HK$11,500,000 was paid by the Group in January 2005.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2004.

LIQUIDITY AND FINANCIAL RESOURCES

The liquidity and financial resources of the Group as at 31 December 2004 were similar to those of the Group as at 31 December 2003. The aggregate outstanding borrowings of the Group as at 31 December 2004 were approximately HK$8,085,000 (as at 31 December 2003: HK$9,982,000), representing current accounts with related companies which were unsecured and non-interest bearing. Such minor fluctuation was within the normal pattern of operations of the Group.

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 24.6% as at 31 December 2004 (as at 31 December 2003: 23.4%). Accordingly, the financial position of the Group has remained very liquid.

As most of the Group's monetary assets are denominated in Hong Kong dollars, US dollars and Renminbi, with minimal balances in UK pounds and Taiwan dollars, the exchange rate risks of the Group is considered to be minimal.

CHARGE ON ASSETS

As at 31 December 2004, deposits of approximately HK$3,700,000 (as at 31 December 2003: HK$3,400,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

Other than the above, the Group did not have any charge on its assets as at 31 December 2004 and 31 December 2003.

CAPITAL STRUCTURE

During the year ended 31 December 2004, other than the exercise of share options granted (detail as per note 23 to the accounts), there is no change in the Company's share capital. As at 31 December 2004, the Group's operations were financed mainly by shareholders' equity.

STAFF

As at 31 December 2004, the Group employed 624 full time staff (as at 31 December 2003: 597), at market remuneration with employee benefits such as comprehensive medical coverage, insurance plan, defined contribution pension schemes, discretionary bonus and employee share option scheme. Staff costs for the year ended 31 December 2004 was approximately HK$220,798,000 (six months ended 31 December 2003: HK$99,672,000).

The Group did not experience any significant labour disputes or substantial change in the number of its employees that led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

SIGNIFICANT INVESTMENT

As at 31 December 2004, the Group invested in some unlisted security with an estimated fair value of approximately HK$53,461,000 (as at 31 December 2003: Nil).

Save as disclosed above, the Group has not held any significant investment for the year ended 31 December 2004.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

The Group will continue to consolidate its existing businesses while exploring new business areas that will complement and enhance its existing businesses.

Other than disclosed herein, the Group did not have any plan for material investments and acquisition of material capital assets.

CONTINGENT LIABILITIES

Other than disclosed in note 29 to the accounts, the Group had no material contingent liabilities as at 31 December 2004 and 31 December 2003 respectively.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts of Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND OPERATIONS

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 20 to the accounts.

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

CHANGE OF FINANCIAL YEAR END

On 8 January 2004, the Company changed its financial year end from 30 June to 31 December. The Directors consider the reason for the change of financial year end is to align the Group's business cycle with that of its advertising customers, and the agents who represent them, which normally have a year end on 31 December and determine their advertising budgets and operate on a calendar year basis.

As a result of the change of financial year end from 30 June to 31 December, the comparatives for the consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement and the related notes may not be comparable.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 30.

The Directors recommend the declaration and payment of a final dividend of HK$0.01 per share to be payable to shareholders whose names appear on the register of members of the Company on 23 June 2005. Subject to the passing of the necessary resolution at the forthcoming Annual General Meeting, such dividend would be payable on or about 8 July 2005.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the accounts.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$10,000 (six months ended 31 December 2003: HK$20,000).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 15 to the accounts.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 23 and note 24, respectively, to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2004, calculated under the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$788,780,000 (as at 31 December 2003: HK$784,315,000).

FIVE PERIOD/YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial period/years is set out on pages 73 to 74.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:

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

Non-Executive Directors:

GUTHRIE, Michelle Lee	(Alternate Director to LAU, Yu Leung John and CHEUNG, Chun On Daniel)
LAU, Yu Leung John	(Alternate Director to CHEUNG, Chun On Daniel)
CHEUNG, Chun On Daniel	(Alternate Director to LAU, Yu Leung John)
XU, Gang	
CHEUNG, San Ping	(Alternate Director to LIU, Changle and CHUI, Keung)

Independent Non-Executive Directors:

LO, Ka Shui	
KUOK, Khoon Ean	
LEUNG, Hok Lim	(Appointed on 21 January 2005)

Alternate Director:

GONG, Jianzhong	(Alternate Director to XU, Gang)

In accordance with the Articles of Association of the Company, XU, Gang, LO, Ka Shui and LEUNG, Hok Lim will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

The terms of office of each of the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2004, the interests of the Directors and chief executives in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 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, were as follows:

Ordinary shares

	Number of shares held					
Name	Personal interest	Family interest	Corporate interest	Other interest	Total number of shares	Percentage of shareholding
LIU, Changle[1]	–	–	1,854,000,000	–	1,854,000,000	37.6%

Note: Mr. LIU, Changle is the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia Limited, which in turn has an interest in approximately 37.6% of the issued share capital of the Company as at 31 December 2004.

[1] Being an Executive Director of the Company

Save as disclosed herein, as at 31 December 2004, none of the Directors or chief executives of the Company, had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 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 Share Option Scheme. In order to enhance the flexibility in the implementation of the Pre-IPO Share Option Scheme and the Share Option Scheme, the committee of four Directors established for the administration of the share option schemes (the "Committee") approved certain amendments to the terms of the Pre-IPO Share Option Scheme on 14 February 2001 and the Share Option Scheme on 14 February 2001 and 6 August 2002, respectively. Such amendments have been pre-approved by the Stock Exchange.

(1) Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme as at 31 December 2004:

Purpose of the scheme

The purpose of the scheme, though not explicitly stated in the scheme document, is to recognise the contribution of certain employees to the growth of the Group and/or to the listing of shares of the Company ("Shares") on the Growth Enterprise Market of the Stock Exchange ("GEM").

The participants of the scheme

Employees of any member of the Company, including any Executive Directors of any member of the Group who have commenced working for the Group for not less than one month prior to the date of grant of an option and spent not less than twenty hours per week in providing services to the Group may take up options to subscribe for Shares.

The total number of securities available for issue

The total number of Shares available for issue under options which may be granted under the Pre-IPO Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of listing of the Shares on GEM on 30 June 2000 (the "Listing Date").

The total number of Shares in respect of which options are issuable under the scheme is 484,706,000 Shares, representing 10% and 9.8%, respectively, of the issued share capital of the Company as at the Listing Date and as at the date of this report.

The maximum entitlement of each participant under the scheme

No option may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of Shares the subject of such option, when added to the number of Shares which may be subscribed by that eligible person under any outstanding options granted to that eligible person and to the number of Shares previously subscribed by the eligible person under any options granted to the eligible person under the scheme exceeding 25% of the aggregate number of Shares available for subscription under the scheme at that time.

Time of exercise of option

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

Date of exercise of an option	**Percentage of Shares comprised in options which is exercisable**
Between the date of grant of an option and less than 12 months following the date of grant of an option	zero
Between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
Between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
Between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
Any time falling 48 months from the date of grant of an option and thereafter	100%

Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than three days from (and including) the date on which the letter of offer of the grant of option is issued by the Company ("Offer Date"). Upon acceptance of the option, the option holder shall pay HK$1 to the Company as consideration of the grant.

The basis of determining the exercise price

Same as the offer price for the Shares as set out in the prospectus of the Company dated 21 June 2000 (the "Prospectus").

The remaining life of the scheme

The scheme period expires upon the listing of the Company on the GEM, for which the option expires when the vesting period ends.

The details of share options granted by the Company under the Pre-IPO Share Option Scheme to the Directors of the Company and the employees of the 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 2004	Lapsed during the year	Exercised during the year	Balance as at 31 December 2004
2 Executive Directors:								
LIU, Changle	14 June 2000	14 June 2000 to 13 June 2001	14 June 2001 to 13 June 2010	1.08	5,320,000	–	–	5,320,000
CHUI, Keung	14 June 2000	14 June 2000 to 13 June 2001	14 June 2001 to 13 June 2010	1.08	3,990,000	–	–	3,990,000
88 other employees	14 June 2000	14 June 2000 to 13 June 2001	14 June 2001 to 13 June 2010	1.08	36,618,000	(248,000)	(4,708,000)	31,662,000
Total: 90 employees					45,928,000	(248,000)	(4,708,000)	40,972,000

During the year ended 31 December 2004, 248,000 options granted to 5 employees lapsed when they ceased their employment with the Group.

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

Save as stated above, no option has been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Pre-IPO Share Option Scheme. No participant was granted any option in excess of the individual limit as set out in the GEM Listing Rules or under the Pre-IPO Share Option Scheme.

(2) Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme as at 31 December 2004:

Purpose of the scheme

The purpose of the scheme is to retain and provide incentives to the employees of the Group to achieve its business objectives.

The participants of the scheme

Employees of any member of the Company, including any Executive Directors of any member of the Group, in full-time employment with the Company (or its subsidiaries) may take up options to subscribe for Shares.

The total number of securities available for issue

(a) The total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% (or such higher percentage as may be allowed under the GEM Listing Rules) of the issued share capital of the Company in issue as at the date of approval of the scheme unless Shareholders' approval has been obtained pursuant to paragraphs (b) and (c) below.

(b) The Company may seek approval by Shareholders in general meeting to refresh the limit as referred to in the above paragraph (a).

(c) The Company may seek separate Shareholders' approval in a general meeting to grant options beyond the limit as referred to in the above paragraph (a) provided that the total number of Shares subject to the scheme and any other schemes does not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.

(d) Shareholders' approval has been obtained on 6 August 2002 to refresh the 10% limit. The Directors may grant options for subscription of up to 493,173,000 Shares (which do not include those options that are outstanding, cancelled or lapsed), representing 10% of the issued share capital as at the date of this annual report.

The maximum entitlement of each participant under the scheme

Unless approved by Shareholders, the total number of securities issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of securities of the Company in issue.

Time of exercise of option

An option may be exercised in accordance with the terms of the scheme at any time during the period commencing one year from the date of grant of the option and expiring ten years after the date of grant of the option in accordance with the following schedule:

Date of exercise of an option	**Percentage of Shares comprised in options which is exercisable**
Between the date of grant of an option and less than 12 months following the date of grant of an option	zero
Between the period falling 12 months or more but less than 24 months from the date of grant of an option	up to 25%
Between the period falling 24 months or more but less than 36 months from the date of grant of an option	up to 50%
Between the period falling 36 months or more but less than 48 months from the date of grant of an option	up to 75%
Any time falling 48 months from the date of grant of an option and thereafter	100%

Minimum holding period

As stated above, no option can be exercised within the first twelve months following the date of grant of an option.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than twenty one days from (and including) the Offer Date. Upon acceptance of the option, the option holder shall pay HK$1 to the Company as consideration of the grant.

The basis of determining the exercise price

The subscription price for the Shares under the scheme shall be determined by the Committee and will be no less than the highest of (a) the closing price of Shares as stated in the Stock Exchange's daily quotation sheets on the Offer Date which must be a business day, (b) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date and (c) the nominal value of the Share.

The remaining life of the scheme

The scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the scheme.

The details of share options granted by the Company under the Share Option Scheme to the employees of the 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 2004	Lapsed during the year	Exercised during the year	Balance as at 31 December 2004
2 employees	15 February 2001	15 February 2001 to 14 February 2002	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	1,700,000
18 employees	10 August 2001	10 August 2001 to 9 August 2002	10 August 2002 to 9 August 2011	1.13	12,160,000	–	(120,000)	12,040,000
5 employees	20 December 2002	20 December 2002 to 19 December 2003	20 December 2003 to 19 December 2012	0.79	2,468,000	–	(238,000)	2,230,000
Total: 25 employees					16,328,000	–	(358,000)	15,970,000

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

No option had been granted to the Directors, chief executive, management shareholders, substantial shareholders, or their respective associates, or to the suppliers of goods or services under the Share Option Scheme. No participant was granted any option in excess of the individual limit as set out in the GEM Listing Rules or under the Share Option Scheme.

The summary of the treatment of forfeiture of option prior to the expiry date is set out in the appendix of the half-yearly report 2000/2001.

Valuation of share options

The options granted are not recognised in the financial statements of the Group until they are exercised. The Directors consider that it is not appropriate to state the value of the options granted during the year on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the Shareholders.

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

PHOENIXi PLAN

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan"). The following is a summary of the principal terms of the PHOENIXi Plan as at 31 December 2004:

Purpose of the scheme

The purposes of the PHOENIXi Plan are to attract and retain the best available personnel, to provide additional incentive to its employees and Executive Directors and to promote the success of its business.

The participants of the scheme

The employees of PHOENIXi, including any Executive Directors, in the full-time employment of PHOENIXi (or the subsidiaries of PHOENIXi) or the Company are eligible to take up options to subscribe for shares in PHOENIXi. In addition, to be classified as an eligible person, where the employee is employed by a holding company of PHOENIXi or a subsidiary of PHOENIXi, the employee must perform an executive role for PHOENIXi.

The total number of securities available for issue

(a) The total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi, must not in aggregate exceed 10% of the issued share capital of PHOENIXi as at the Listing Date unless approvals of the Shareholders of the Company and PHOENIXi have been obtained pursuant to paragraphs (b) and (c) below.

(b) PHOENIXi may seek approval by the Shareholders of the Company and PHOENIXi in a general meeting to refresh the 10% limit. However, the total number of shares available for issue under options which may be granted under the PHOENIXi Plan and any other schemes of PHOENIXi in these circumstances must not exceed 10% of the issued share capital of PHOENIXi at the date of approval of the refreshing of the limit.

(c) PHOENIXi may seek separate approval of the Shareholders of the Company and PHOENIXi in a general meeting to grant options beyond the 10% limit provided that (i) the total number of shares subject to the PHOENIXi Plan and any other schemes of PHOENIXi does not in aggregate exceed 30% of the total issued share capital of PHOENIXi and (ii) the options in excess of the 10% limit are granted only to participants specified by PHOENIXi before such approval is sought.

The maximum entitlement of each participant under the scheme

No options may be granted to any eligible person which, if at the relevant time exercised in full, would result in the total number of shares of PHOENIXi the subject of such option, when added to the number of shares already issued and/or issuable to him/her under the PHOENIXi Plan exceeding 25% of the aggregate number of shares of PHOENIXi in respect of which options are issuable under the PHOENIXi Plan.

Time of exercise of option

Generally, an option may be exercised at any time during a period of no more than ten years commencing from the date of grant. However, in the case of an Incentive Stock Option ("ISO") granted to a person, who at the time of the grant, owns shares in PHOENIXi representing more than 10% of the voting power of PHOENIXi, the Company or any subsidiary of the Company, the option period will be five years from the date of grant thereof.

Minimum holding period

As stated above, there is no minimum holding period for which an option can be exercised.

The amount payable on acceptance of the option

The date by which the option must be applied for being a date not more than twenty one days from (and including) the Offer Date. Upon acceptance of the option, the option holder shall pay US$1 to the Company as consideration of the grant.

The basis of determining the exercise price

The price for the shares of PHOENIXi upon the exercise of an option under the PHOENIXi Plan will, in the case of:

(a) an ISO or a Non-Qualified Stock Option ("NQS"), where the grantee owns more than 10% of the shares of the Company, PHOENIXi or its subsidiaries (each a "Related Entity"), be equal to not less than 110% of the Fair Market Value (as referred to below) per share of PHOENIXi on the date of the grant.

(b) an ISO or NQS, where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.

(c) an option which is neither an ISO nor an NQS but where the grantee owns more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than the Fair Market Value per share of PHOENIXi on the date of the grant.

(d) an option which is neither an ISO nor an NQS but where the grantee does not own more than 10% of the shares of PHOENIXi or a Related Entity, be equal to not less than 85% of the Fair Market Value per share of PHOENIXi on the date of the grant, but if the shares of PHOENIXi are listed or if a Director of the Company or PHOENIXi or their associates participates in the PHOENIXi Plan, the per share price must not be less than the Fair Market Value per share of PHOENIXi on the date of the grant.

For the purpose of the above "Fair Market Value" means as of any date, the value of shares of the Company, PHOENIXi or any subsidiary of PHOENIXi (as the case may be) determined as follows:

(i) where the shares of PHOENIXi are listed on any stock exchange, the Fair Market Value shall be (a) no less than the higher of the closing price for a share on the date of the grant of an option which must be a business day, or (b) the average closing price of the share for the five business days immediately preceding the date of grant (the closing price shall be the price on the stock exchange on which the shares of PHOENIXi are listed) or (c) the nominal value of a share; or

(ii) in the absence of an established market for the shares of the type described in (i) above, the Fair Market Value thereof shall be determined by the Committee in good faith on a fair and reasonable basis but in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations but in any event must in no circumstances be less than the latest audited net tangible assets per share of PHOENIXi unless none of the Directors or their associates of PHOENIXi or the Company participate in the Plan, in which event, reference does not need to be made to the latest audited net tangible asset per share of PHOENIXi for the purpose of determining the Fair Market Value of the shares.

The remaining life of the scheme

The scheme will remain in force for a period of ten years commencing on the date of the adoption of the scheme. Upon termination, no further options may be granted under the scheme.

As at 31 December 2004, no options had been granted under the PHOENIXi Plan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option schemes approved by the Shareholders on 7 June 2000, the Committee may, at their discretion, invite any employee of the Company or any of the 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 Share Option Scheme were amended on 14 February 2001 and 6 August 2002 respectively, and a summary of the amended Share Option Scheme is set out in the section headed "Share Option Schemes" of this report.

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 year 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 was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 December 2004, the interest of the shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

(i) Substantial shareholders

Name of substantial shareholders	Number of ordinary shares	Percentage of shareholding
Xing Kong Chuan Mei Group Co., Ltd. *(Note 1)*	1,854,000,000	37.6%
Today's Asia Limited *(Note 2)*	1,854,000,000	37.6%

Notes:

1. Xing Kong Chuan Mei Group Co., Ltd. is a subsidiary of STAR Group Limited. News Cayman Holdings Limited holds 100% of the ordinary voting shares of STAR Group Limited. News Publishers Investments Pty, Limited holds 100% of the ordinary voting shares of News Cayman Holdings Limited. News Publishers Investments Pty, Limited is a wholly-owned subsidiary of STAR US Holdings Subsidiary, LLC, which in turn is a wholly-owned subsidiary of STAR US Holdings, Inc. STAR US Holdings, Inc. is a wholly-owned subsidiary of News Publishing Australia Limited, which in turn is an indirect wholly owned subsidiary of News Holdings Limited (formerly known as The News Corporation Limited) ("NHL").

   On 12 November, 2004 NHL completed a reorganization transaction under which News Corporation indirectly acquired all of the shares in NHL via News Australia Holdings Pty Limited, its wholly-owned subsidiary.

   By virtue of the SFO, News Corporation, News Australia Holdings Pty Limited, NHL, News Publishing Australia Limited, STAR US Holdings, Inc, STAR US Holdings Subsidiary, LLC, News Publishers Investments Pty, Limited, News Cayman Holdings Limited and STAR Group Limited are all deemed to be interested in the 1,854,000,000 Shares held by Xing Kong Chuan Mei Group Co., Ltd.

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

(ii) Other person who is required to disclose his interests

Name of other person who has more than 5% interest	Number of ordinary shares	Percentage of shareholding
China Wise International Limited *(Note)*	412,000,000	8.3%

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 wholly-owned subsidiary of Central Huijin Investment Company Limited. By virtue of the SFO, Central Huijin Investment Company 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, no other shareholders or other persons had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group, or any options in respect of such capital.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the Company's Articles of Association and the law in the Cayman Islands in relation to the issue of new Shares by the Company.

PURCHASE, SALE OR REPURCHASE OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the Shares during the year.

SPONSORS' INTERESTS

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

CONNECTED TRANSACTIONS

1. The following connected transactions with Satellite Television Asian Region Limited ("STARL"), STAR TV Filmed Entertainment Limited ("STAR Filmed"), ATV Enterprises Limited ("ATVE") and Asia Television Limited ("ATV") have been approved by resolutions of independent shareholders passed on 26 June 2003:

   (a) STARL is a subsidiary of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transactions are:

      (i) STARL provides technical and administrative services for the operations of the Phoenix Chinese Channel, Phoenix Movies Channel, Phoenix InfoNews Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel. For the year ended 31 December 2004, the service charges paid/payable to STARL amounted to approximately HK$52,917,000, which was calculated under the terms of the executed service agreement between a subsidiary of the Company and STARL. Such amount did not exceed the annual cap of HK$80,000,000 for each of the three years ending 30 June 2006, approved under the relevant resolutions.

      (ii) STARL acts as an agent to promote international subscription sales and marketing services for the Group. For the year ended 31 December 2004, commission for international subscription sales and marketing services paid/payable to STARL amounted to approximately HK$2,645,000, which was calculated based on 15% of the subscription fees generated and received by STARL on behalf of the Group. Such amount did not exceed the annual caps of HK$5,000,000 for the year ended 30 June 2004 and HK$7,500,000 for the year ending 30 June 2005, respectively, approved under the relevant resolutions.

      (iii) STARL acts as an exclusive advertising agent for the Group at all territories outside the People's Republic of China ("PRC"). For the year ended 31 December 2004, commission for advertising sales and marketing services paid/payable to STARL amounted to approximately HK$944,000, which was calculated based on 4%-15% of the net advertising income generated and received by STARL on behalf of the Group after deducting the relevant amount of the third party agency fees incurred by it. Such amount did not exceed the annual cap of HK$20,000,000 for each of the three years ending 30 June 2006 approved under the relevant resolutions. Pursuant to a letter of termination dated 18 October 2004, STARL ceased to act as the advertising sales agent for the Group with effect from 30 September 2004 but will continue to provide services and receive commission in respect of advertising sales contracts concluded by STARL on behalf of the Group prior to its cessation or as specifically agreed by the parties.

(b) STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transaction relates to the granting of a non-exclusive licence to exhibit a selection of movies on Phoenix Movies Channel in the PRC for a term of 10 years commencing from 28 August 1998. For the year ended 31 December 2004, the film licence fees paid/payable to STAR Filmed amounted to approximately HK$20,337,000, which were charged according to the executed film rights licensing agreement between a subsidiary of the Company and STAR Filmed. Such amount did not exceed the annual cap of HK$23,000,000 for each of the three years ending 30 June 2006 approved under the relevant resolutions.

(c) ATVE, a wholly-owned subsidiary of ATV, is a connected party by virtue of the fact that Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7%, respectively, of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2004. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003. The connected transaction relates to the acquisition of certain television programme licences from ATVE. For the year ended 31 December 2004, programme licence fees paid/payable to ATVE amounted to approximately HK$709,000, which were charged according to the executed licensing agreement between a subsidiary of the Company and ATVE. Such amount did not exceed the annual cap of HK$15,000,000 for each of the three years ending 30 June 2006 approved under the relevant resolutions.

(d) A subsidiary of the Company has entered into an arrangement to provide technical support services and equipment to ATV for the operation of the ATV Home Channel (U.S. version) via EchoStar Satellite Corporation, a direct-to-home satellite television operator in the United States. For the year ended 31 December 2004, the service fees received/receivable from the provision of technical support services and equipment to ATV were approximately HK$1,402,000, which was charged according to the executed service agreement between this subsidiary and ATV. Such amount did not exceed the annual cap of HK$2,000,000 for each of the three years ending 30 June 2006 approved under the relevant resolutions.

2. A subsidiary of the Company has entered into an agreement with Fox News Network L.L.C. ("Fox"), an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. The connected transactions relate to:

(a) granting of non-exclusive and non-transferable licence to subscribe for Fox's news service;

(b) leasing of office space and access to workspace, subject to availability; and

(c) accessing Fox's camera hook up at the United Nations, interview positions in various places in the United States and live shots from Fox's satellite truck positions for events that Fox is already covering, subject to availability.

For the year ended 31 December 2004, the service charges paid/payable to Fox amounted to approximately HK$3,792,000, which were charged under the licensing agreement between this subsidiary and Fox. Such amount did not exceed the annual cap of HK$4,627,155 for the year ended 31 December 2004 approved under the relevant resolutions.

3. A 70% owned subsidiary of the Company has entered into a transponder rental agreement and an electronic programme guide ("EPG") services agreement with British Sky Broadcasting Limited ("BSkyB"), an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. These connected transactions relate to the provision of transponder rental, uplinking and EPG services for Phoenix Chinese News and Entertainment Channel. For the year ended 31 December 2004, the transponder rental and uplink costs paid/payable to BSkyB amounted to approximately HK$5,012,000, which were charged in accordance with the service agreements with BSkyB. Such amount did not exceed the annual cap of HK$6,600,000 for each of the three years ending 30 June 2005 approved by the independent shareholders on 6 August 2002.

4. For the year ended 31 December 2004, news footage and data transmission services were provided by ATV to a subsidiary of the Company. The service charges paid/payable to ATV amounted to approximately HK$790,000, which were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.31 of GEM Listing Rules. Such transaction is exempted from the reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

5. For the year ended 31 December 2004, decoder devices sold to STARL amounted to approximately HK$64,000, which were charged based on terms mutually agreed upon between both parties. This is a connected transaction but falls within Rule 20.31 of GEM Listing Rules. Such transaction is exempted from the reporting, announcement and Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

6. For the year ended 31 December 2004, the Group had purchased certain broadcast operations and engineering equipment from STARL. The purchases of broadcast operations and engineering equipment amounted to approximately HK$98,000, which were charged under the equipment purchase agreement. This is a connected transaction but falls within Rule 20.34 of GEM Listing Rules. Such transaction is exempted from the Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. The Company has made an announcement on 5 January 2004 in respect of this connected transaction with STARL.

7. A subsidiary of the Company has entered into a license agreement with The DIRECTV Group, Inc. ("DIRECTV"), which is 34% owned by Fox. Fox is 82% owned by News Corporation, the ultimate holding company of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. These connected transactions relate to the licensing of the non-exclusive right to distribute the Phoenix North America Chinese Channel via its direct broadcast service satellite – delivered television system in North America. For the year ended 31 December 2004, the license fee received/receivable from DIRECTV amounted to approximately HK$2,309,000, which were charged in accordance with the license agreement with DIRECTV. Such amount did not exceed the annual cap of HK$3,000,000 for the year ended 31 December 2004.

8. A subsidiary of the Company has entered into a sub-license agreement for the sub-licensing of certain programmes and a license agreement for the licensing of a television series with SGL Entertainment Limited ("SGL"), a wholly owned subsidiary of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company. For the year ended 31 December 2004, the license fee paid/payable to SGL amounted to approximately HK$1,182,000, which were charged in accordance with the license agreement with SGL. This is a connected transaction but falls within Rule 20.34 of GEM Listing Rules. Such transaction is exempted from the Shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. The Company had made an announcement on 27 September 2004 in respect of this connected transaction with SGL.

The Independent Non-Executive Directors of the Company have reviewed the above transactions and have considered the procedures performed by the auditors of the Company in reviewing them and confirmed that at the time of the transactions:

(a) the transactions have been entered into by the relevant member of the Group in the ordinary and usual course of its business;

(b) the transactions have been entered into on an arm's length basis and on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, or terms not less favourable to the Group than terms available to or from (as the case may be) independent third parties; and

(c) the transactions have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Year ended 31 December 2004	**Six months ended 31 December 2003**
Sales		
– the largest customer	2%	3%
– five largest customers	10%	13%
Programme purchases		
– the largest supplier	12%	29%
– five largest suppliers	40%	59%

STAR Filmed is the largest programme supplier of the Group referred to above. Details of the transactions between the Group and STAR Filmed are set out in note 31 to the accounts. STAR Filmed is an indirect wholly-owned subsidiary of STAR Group Limited, which holds 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

For the six months period ended 31 December 2003, ATVE, a wholly-owned subsidiary of ATV, is one of the five largest programme suppliers of the Group referred to above. Details of the transactions between the Group and ATVE are set out in note 31 to the accounts. Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7%, respectively, of Today's Asia Limited, which indirectly own approximately 46% of ATV as at 31 December 2004. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2004. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

In the opinion of the Directors, such transactions were carried out on terms no more favourable than terms available to independent third parties.

Save as above mentioned, none of the Directors, their associates, or any Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's share capital has a beneficial interest in any one of the Group's top five customers and/or programme suppliers.

COMPETING INTERESTS

Today's Asia Limited, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited have interests in approximately 37.6%, 37.6% and 8.3% of the share capital of the Company, respectively. Today's Asia Limited, together with its shareholders, Mr. LIU, Changle and Mr. CHAN, Wing Kee, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

Xing Kong Chuan Mei Group Co., Ltd., together with its ultimate parent company, News Corporation, are active in the television broadcasting industry worldwide. News Corporation's diversified global operations in the United States, Canada, the United Kingdom, Australia, Latin America and the Pacific Basin include the production of motion pictures and television programming; television, satellite and cable broadcasting; the publication of newspapers, magazines and books; the production and distribution of promotional and advertising products and services; the development of digital broadcasting; the development of conditional access and subscriber management systems; and the creation and distribution of popular on-line programming. Currently, STAR Group Limited, the holding company of Xing Kong Chuan Mei Group Co., Ltd., owns and operates multimedia digital platforms, including satellite television, in the Asia Pacific region and engages in programme licensing and advertising agency business throughout the world, including China. STAR Group Limited and its subsidiaries (including Xing Kong Chuan Mei Group Co., Ltd.) operate and broadcast a range of channels, such as STAR Movies and STAR Chinese Channel (which presently only broadcasts in Taiwan) and Channel [V]. The broadcasting coverage of Channel [V] includes China, Taiwan, Hong Kong, countries in South East Asia, the Indian sub-continent and the Middle East. STAR Group Limited announced on 19 December 2001 that it was granted landing rights for a new 24-hour Mandarin – language general entertainment channel, Xing Kong Wei Shi, in southern China by virtue of an agreement signed among STAR (China) Limited (STAR Group Limited's wholly-owned subsidiary), China International Television Corporation ("CITVC"), Guangdong Cable TV Networks Co. Ltd. and Fox Cable Networks Services, L.L.C., an affiliate of STAR Group Limited. STAR Group Limited further announced on 15 January 2003 that it has signed an agreement with CITVC, enabling Xing Kong Wei Shi to be viewed nationally in hotels with three-stars and above, and in foreign and overseas Chinese compounds.

Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7%, respectively, of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in ATV, a Hong Kong based television broadcasting company. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2004. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003. ATV is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audiences in Hong Kong, ATV broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the PRC. ATV announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong. ATV is also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license.

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

ADVANCES TO AN ENTITY

Please refer to note 11 to the accounts for the details of the relevant advance, as defined in Rules 17.14 of the GEM Listing Rules to an entity from the Group which exceeds 8% of the Group's total assets.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee has met four times a year to review with management the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The audit committee comprises one Non-Executive Director, namely Mr. LAU, Yu Leung John and three Independent Non-Executive Directors, namely Dr. LO, Ka Shui, Mr. KUOK, Khoon Ean and Mr. LEUNG Hok Lim (appointed on 21 January 2005).

BOARD PRACTICES AND PROCEDURES

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the year.

AUDITORS

The accounts for the year ended 31 December 2004 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
LIU, Changle
Chairman

Hong Kong, 10 March 2005

PRICEWATERHOUSECOOPERS

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PricewaterhouseCoopers
22nd Floor Prince's Building
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Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 30 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note(s)	Year ended 31 December 2004 HK$'000	Six months ended 31 December 2003 HK$'000 (note 32)
REVENUE	2	**1,113,048**	350,347
OPERATING EXPENSES	31	**(828,449)**	(326,318)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	31	**(146,063)**	(68,608)
PROFIT/(LOSS) FROM OPERATIONS	3	**138,536**	(44,579)
OTHER REVENUE			
Exchange gain, net		**1,927**	834
Interest income, net		**6,486**	1,981
Other income, net		**9,105**	5,143
	2	**17,518**	7,958
PROFIT/(LOSS) BEFORE TAXATION AND MINORITY INTERESTS		**156,054**	(36,621)
TAXATION	4	**(4,826)**	(2,559)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		**151,228**	(39,180)
MINORITY INTERESTS		**(734)**	314
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	5, 25	**150,494**	(38,866)
ACCUMULATED DEFICIT, beginning of year/ period		**(612,471)**	(573,605)
DIVIDENDS	6	**–**	–
ACCUMULATED DEFICIT, end of year/period		**(461,977)**	(612,471)
BASIC EARNINGS/(LOSS) PER SHARE, Hong Kong cents	7	**3.05**	(0.79)
DILUTED EARNINGS PER SHARE, Hong Kong cents	7	**3.04**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	Note	**2004** *HK$'000*	2003 *HK$'000*
Current assets			
Cash and bank balances	29	**411,482**	388,869
Accounts receivable, net	10	**98,397**	32,438
Prepayments, deposits and other receivables	11	**351,005**	277,651
Inventories	12	**8,751**	9,187
Amounts due from related companies	13	**507**	223
Self-produced programmes		**10,652**	11,337
Purchased programme and film rights, net, current portion	14	**11,665**	9,259
Profits tax recoverable		**384**	–
		892,843	728,964
Non-current assets			
Purchased programme and film rights, net	14	**18,402**	24,133
Fixed assets, net	15	**54,869**	62,607
Property deposit and development costs	16	**62,515**	61,120
Investment in an associated company	17	**–**	–
Interest in a jointly controlled entity	18	**472**	472
Other investments	19	**53,461**	–
Deferred tax assets	26	**30**	743
		189,749	149,075
Total assets		**1,082,592**	878,039

	Note	**2004** HK$'000	2003 HK$'000
Current liabilities			
Accounts payable, other payables and accruals	21	**165,078**	96,432
Deferred income		**38,914**	52,420
Amounts due to related companies	13	**8,085**	9,982
Profits tax payable		**–**	5,939
		212,077	164,773
Non-current liabilities			
Deferred tax liabilities	26	**30**	743
Total liabilities		**212,107**	165,516
Minority interests		**6,837**	6,103
Capital and reserves			
Share capital	23	**493,680**	493,173
Reserves	25	**369,968**	213,247
Total shareholders' equity		**863,648**	706,420
Total liabilities and shareholders' equity		**1,082,592**	878,039

Approved by the Board of Directors on 10 March 2005 and signed on behalf of the Board by

LIU, Changle
Director

GUTHRIE, Michelle Lee
Director

BALANCE SHEET

As at 31 December 2004

	Note	**2004** *HK$'000*	2003 *HK$'000*
Current asset			
Cash and bank balances		**6,302**	878
Non-current asset			
Interests in subsidiaries	20	**1,276,312**	1,276,740
Total assets		**1,282,614**	1,277,618
Current liability			
Other payables and accruals		**154**	130
Total liability		**154**	130
Capital and reserves			
Share capital	23	**493,680**	493,173
Reserves	25	**788,780**	784,315
Total shareholders' equity		**1,282,460**	1,277,488
Total liability and shareholders' equity		**1,282,614**	1,277,618

Approved by the Board of Directors on 10 March 2005 and signed on behalf of the Board by

LIU, Changle
Director

GUTHRIE, Michelle Lee
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Note(s)	**Year ended 31 December 2004** *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Total equity at the beginning of the year/period		**706,420**	745,208
Exchange differences arising on translation of the financial statements of foreign subsidiaries	25	**1,325**	78
Exercise of share options	23, 25	**5,409**	–
Profit/(loss) attributable to shareholders		**150,494**	(38,866)
Total equity at the end of the year/period		**863,648**	706,420

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	**Year ended 31 December 2004** ***HK$'000***	Six months ended 31 December 2003 *HK$'000* *(note 32)*
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operations	28	**111,973**	(25,641)
Hong Kong taxation paid		**(10,794)**	(1,337)
Overseas taxation paid		**(355)**	(9)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**100,824**	(26,987)
INVESTING ACTIVITIES			
Increase in property deposit and development costs		**(1,395)**	–
Purchase of fixed assets		**(16,761)**	(3,341)
Purchase of programme and film rights		**(20,414)**	(12,212)
Disposal of subsidiaries		**–**	2,032
Interest in a jointly controlled entity		**–**	(472)
Proceeds from disposal of fixed assets		**179**	266
Increase in other non-current assets		**–**	(420)
Purchase of other investments		**(84,411)**	–
Proceeds from disposals of other investments		**29,986**	–
Interest received		**6,489**	1,984
Income from other investments		**1,822**	–
Interest paid		**(3)**	(3)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(84,508)**	(12,166)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		**16,316**	(39,153)
FINANCING ACTIVITIES			
Proceeds from exercise of share options		**5,409**	–
NET CASH INFLOW FROM FINANCING ACTIVITIES		**5,409**	–
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**21,725**	(39,153)
CASH AND CASH EQUIVALENTS, beginning of year/period		**388,869**	428,039
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**888**	(17)
CASH AND CASH EQUIVALENTS, end of year/period		**411,482**	388,869

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Change of financial year end

On 8 January 2004, the Company changed its financial year end from 30 June to 31 December. The Directors consider the reason for the change of financial year end is to align the Group's business cycle with that of its advertising customers, and the agents who represent them, which normally have a year end on 31 December and determine their advertising budgets and operate on a calendar year basis.

As a result of the change of financial year end from 30 June to 31 December, the comparatives for the consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement and the related notes may not be comparable.

(b) Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(c) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) *Joint venture*

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

(iii) *Associated company*

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of an associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company.

Equity accounting is discontinued when the carrying amount of the investment in the associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iv) *Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, an associated company and a jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(d) Fixed assets

(i) Fixed assets, comprising leasehold improvements, furniture and fixtures, broadcast operations and other equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	15% or over the terms of the leases
Furniture and fixtures	15% – 20%
Broadcast operations and other equipment	20%
Motor vehicles	20%

(ii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Property deposit and development costs

Property deposit and development costs are carried at cost which include the renovation expenditure incurred and other direct costs attributable to the development to bring the property to its intended use.

Property deposit and development costs are not depreciated until such time the property is ready for its intended use.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(g) Purchased programme and film rights

Purchased programme and film rights and the related accruals are recorded at cost less accumulated amortisation and any impairment losses. The cost of purchased programme and film rights is charged to the profit and loss account either on the first and second showing of such purchased programme and film rights or amortised over the licence period if the licence allows multiple showings within the licence period. Purchased programme and film rights with a remaining licence period of twelve months or less are classified as current assets.

(h) Self-produced programmes

Self-produced programmes represent programmes under production and are stated at cost less provision for diminution. Cost comprises direct production expenditures and an appropriate portion of production overheads. Programmes in production that are abandoned are written off to the profit and loss account immediately or when the revenue to be generated by these programmes is determined to be lower than originally budgeted the cost is written down to a realisable value. Completed programmes will be broadcast over a short period of time and these costs are charged to the profit and loss account in accordance with a formula computed to write off the cost over the broadcast period.

(i) Other investments

Other investments are carried at fair value by an independent financial advisor. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

Income from other investments is recognised when the right to receive payment is established.

(j) Inventories

Inventories, comprising decoder devices and satellite receivers, are stated at the lower of cost and net realisable value.

Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment.

(m) Deferred income

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

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates defined contribution retirement schemes for the Hong Kong employees based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit schemes costs charged to the profit and loss account represent contributions payable by the Group to the funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or setting its own retirement benefit schemes (the "Schemes") whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are charged to the profit and loss account as incurred.

(iv) Equity compensation benefits

Pursuant to written resolutions of the shareholders of the Company dated 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company, namely Pre-IPO Share Option Scheme and Share Option Scheme. The options are granted and exercisable in accordance with the terms set out in the relevant schemes and no compensation cost is recognised. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium account.

(p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets, prepayments of purchased programme and film rights and tax losses carried forward. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that an outflow is probable, it will then be recognised as a provision.

(r) Revenue recognition

Revenue mainly represents income from advertising sales and subscription sales.

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue and other income are recognised on the following bases:

(i) Advertising revenue

Advertising revenue represents the gross value of advertisements broadcast and is recognised when the relevant advertisements are broadcast.

(ii) Subscription revenue

Subscription revenue received or receivable from the cable distributors or agents is amortised on a time proportion basis. Unamortised portion is classified as deferred income.

(iii) Magazine advertising revenue

Magazine advertising revenue represents the gross value of advertisements printed in the magazines and is recognised when the magazine is published.

(iv) Magazine subscription/circulation revenue

Magazine subscription or circulation revenue represents subscription or circulation money received or receivable from magazine customers and is recognised when the respective magazine is dispatched or sold.

(v) *Sales of decoder devices and satellite receivers*

Revenue from sales of decoder devices and satellite receivers is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(vi) *Interest income*

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

(s) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Unallocated expenses represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to fixed assets, interest in a jointly controlled entity and other non-current assets.

In respect of geographical segment reporting, advertising sales or subscription sales are based on the country in which the customer is located. Total assets and capital expenditure are based on the country where the assets are located.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in satellite television broadcasting activities. An analysis of the Group's revenue by nature is as follows:

	Year ended 31 December 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Revenue		
Advertising sales	**1,030,219**	316,011
Subscription sales	**41,920**	22,165
Magazine advertising and subscription or circulation sales	**14,664**	5,013
Others	**26,245**	7,158
	1,113,048	350,347
Other revenue		
Exchange gain, net	**1,927**	834
Interest income, net	**6,486**	1,981
Sales of programmes	**1,494**	2,431
Income from other investments, net	**858**	–
Others	**6,753**	2,712
	17,518	7,958
Total revenue	**1,130,566**	358,305

Primary reporting format – business segments

The Group is organised into four main business segments including:

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

(ii) Programme production and ancillary services;

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

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

	Year ended 31 December 2004					
	Television broadcasting *HK$'000*	Programme production and ancillary services *HK$'000*	Internet services *HK$'000*	Other activities *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000*
Revenue						
External sales	1,072,138	3,407	6,295	31,208	–	1,113,048
Inter-segment sales	–	23,812	–	–	(23,812)	–
Total revenue	1,072,138	27,219	6,295	31,208	(23,812)	1,113,048
Segment results	274,477	1,733	(2,450)	430	–	274,190
Unallocated expenses *(Note a)*						(118,136)
Profit before taxation and minority interests						156,054
Taxation						(4,826)
Profit before minority interests						151,228
Minority interests						(734)
Profit attributable to shareholders						150,494
Segment assets	90,577	56,674	25,824	7,214	–	180,289
Unallocated assets						902,303
Total assets						1,082,592
Segment liabilities	(36,593)	(1,762)	(15,288)	(10,361)	–	(64,004)
Unallocated liabilities						(148,103)
Total liabilities						(212,107)
Capital expenditure	10,436	1,455	785	–	–	12,676
Unallocated capital expenditure						4,085
						16,761
Depreciation	(19,557)	(4,396)	(694)	(2)	–	(24,649)
Amortisation of purchased programme and film rights	(23,169)	–	–	–	–	(23,169)

	Six months ended 31 December 2003					
	Television broadcasting *HK$'000*	Programme production and ancillary services *HK$'000*	Internet services *HK$'000*	Other activities *HK$'000*	Inter-segment elimination *HK$'000*	Group *HK$'000* *(note 32)*
Revenue						
External sales	338,176	2,611	952	8,608	–	350,347
Inter-segment sales	–	9,289	–	–	(9,289)	–
Total revenue	338,176	11,900	952	8,608	(9,289)	350,347
Segment results	9,627	26	(3,571)	(618)	–	5,464
Unallocated expenses *(Note a)*						(42,085)
Loss before taxation and minority interests						(36,621)
Taxation						(2,559)
Loss before minority interests						(39,180)
Minority interests						314
Loss attributable to shareholders						(38,866)
Segment assets	123,008	33,378	24,631	13,579	–	194,596
Unallocated assets						683,443
Total assets						878,039
Segment liabilities	(80,979)	(1,474)	(3,362)	(8,091)	–	(93,906)
Unallocated liabilities						(71,610)
Total liabilities						(165,516)
Capital expenditure	879	91	93	–	–	1,063
Unallocated capital expenditure						3,170
						4,233
Depreciation	(8,853)	(1,234)	(411)	(67)	–	(10,565)
Amortisation of purchased programme and film rights	(15,664)	–	–	–	–	(15,664)

Note:

(a) 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.

Secondary reporting format – geographical segments

	Year ended 31 December 2004		
	Turnover	**Total assets**	**Capital expenditure**
	HK$'000	***HK$'000***	***HK$'000***
PRC (including Hong Kong)	1,049,589	1,037,382	10,364
United States	31,830	27,325	6,267
Europe	10,878	15,937	99
Other countries in the Asia Pacific Region	20,751	1,948	31
	1,113,048	1,082,592	16,761

	Six months ended 31 December 2003		
	Turnover	Total assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*
PRC (including Hong Kong)	316,904	835,406	3,833
United States	10,912	23,233	225
Europe	5,693	17,202	24
Other countries in the Asia Pacific Region	16,838	2,198	151
	350,347	878,039	4,233

3. PROFIT/(LOSS) FROM OPERATIONS

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

	Year ended 31 December 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Charging:		
Amortisation costs of purchased programme and film rights	**23,169**	15,664
Production costs of self-produced programmes	**91,095**	57,914
Transponder rental (note 31(b), (o))	**16,627**	8,273
Provision for doubtful debts	**22,960**	17,409
Staff costs, including Directors' emoluments (note 8)	**220,798**	99,672
Operating lease rental in respect of		
– Directors' quarters	**923**	462
– land and buildings of third parties	**13,179**	6,412
Cost of inventories sold	**1,363**	1,560
Depreciation of fixed assets	**24,649**	10,565
Loss on disposal of fixed assets	**108**	87
Auditors' remuneration	**1,837**	1,218

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 31 December 2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Year ended 31 December 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Current taxation:		
– Hong Kong profits tax	**5,705**	2,550
– Overseas taxes	**355**	9
– Over-provisions of Hong Kong profits tax in the prior year	**(1,234)**	–
Deferred taxation (note 26)	**–**	–
	4,826	2,559

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

	Year ended 31 December 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Profit/(loss) before taxation and minority interests	**156,054**	(36,621)
Calculated at a taxation rate of 17.5% (six months ended 31 December 2003: 17.5%)	**27,309**	(6,409)
Income not subject to taxation	**(7,027)**	(4,016)
Expenses not deductible for taxation purposes	**13,431**	7,351
Tax losses not recognised	**5,946**	9,410
Utilisation of previously unrecognised tax losses	**(33,444)**	(4,044)
Provision for overseas operations	**355**	9
Over-provisions in the prior year	**(1,234)**	–
Others	**(510)**	258
Taxation charge	**4,826**	2,559

5. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$437,000 (six months ended 31 December 2003: HK$342,000).

6. DIVIDENDS

No dividend had been paid or declared by the Company during the year ended 31 December 2004 (six months ended 31 December 2003: Nil).

At a Board of Directors meeting held on 10 March 2005, the Directors proposed a final dividend of HK$0.01 per share. This proposed dividend has not been reflected as a dividend payable in the accounts.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on consolidated profit attributable to shareholders of HK$150,494,000 (six months ended 31 December 2003: loss of HK$38,866,000), and the 4,934,946,000 weighted average number of ordinary shares outstanding during the year ended 31 December 2004 (six months ended 31 December 2003: 4,931,730,000).

Diluted earnings per share is based on the 4,934,946,000 ordinary shares which is the weighted average number of ordinary shares in issue during 2004 plus the weighted average number of 12,204,000 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised. No diluted loss per share for the six months ended 31 December 2003 is presented as the exercise of the Company's outstanding share options would have had an anti-dilutive effect on loss per share during the six months ended 31 December 2003.

8. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Wages, salaries and other allowances	**210,232**	91,332
Unutilised annual leave	**347**	743
Pension costs – defined contribution plans, net of forfeited contributions	**10,219**	7,597
	220,798	99,672

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

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

	Year ended 31 December 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Executive Director A:		
Fees	**–**	–
Salaries	**4,133**	2,026
Discretionary bonus	**1,800**	–
Quarters	**923**	462
Other allowance	**344**	170
Pension fund	**413**	2,584
	7,613	5,242
Executive Director B:		
Fees	**–**	–
Salaries	**1,693**	833
Discretionary bonus	**1,000**	–
Housing allowance	**902**	439
Other allowance	**141**	139
Pension fund	**169**	83
	3,905	1,494

During the year ended 31 December 2004, no emoluments were paid/payable to the Non-Executive Directors of the Company (six months ended 31 December 2003: Nil) and approximately HK$400,000 were paid/payable to two independent Non-Executive Directors of the Company (six months ended 31 December 2003: HK$200,000).

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

Emolument bands	Number of Directors **2004**	2003
HK$Nil – HK$1,000,000	**8**	10
HK$1,000,001 – HK$1,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**–**	1
HK$7,500,001 – HK$8,000,000	**1**	–

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2004 (six months ended 31 December 2003: same).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2004 include two (six months ended 31 December 2003: two) Executive Directors whose emoluments are reflected in the analysis presented in (a) above. The emoluments paid/payable to the remaining three (six months ended 31 December 2003: three) individuals during the year ended 31 December 2004 are as follows:

	Year ended 31 December 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Fees	**–**	–
Salaries	**5,077**	2,511
Discretionary bonus	**3,000**	–
Housing allowance	**2,539**	1,222
Other allowance	**423**	418
Pension fund	**509**	251
	11,548	4,402

The emoluments of the remaining three (six months ended 31 December 2003: three) individuals fell within the following bands:

Emolument bands	Number of individuals **2004**	2003
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**–**	1
HK$3,500,001 – HK$4,000,000	**2**	–
HK$4,000,001 – HK$4,500,000	**1**	–

During the year/period, no emoluments or incentive payments were paid or payable to any Director or the other employees amongst the five highest paid individuals as an inducement to join the Group or as compensation for loss of office.

10. ACCOUNTS RECEIVABLE, NET

	2004	2003
	HK$'000	*HK$'000*
Accounts receivable	**136,505**	72,650
Less: Provision for doubtful debts	**(38,108)**	(40,212)
	98,397	32,438

The Group has appointed an advertising agent in the People's Republic of China (the "PRC") to promote the sales of the Group's advertising air-time and programme sponsorship and collects advertising revenues within the PRC on behalf of the Group (see note 11). The Group generally requires customers to pay in advance, but grants a credit period of 30 days to 90 days to some customers.

The ageing analysis of the accounts receivable from customers is as follows:

	2004	2003
	HK$'000	*HK$'000*
0-30 days	**23,642**	18,828
31-60 days	**16,280**	8,690
61-90 days	**10,800**	5,135
91-120 days	**13,163**	3,215
Over 120 days	**72,620**	36,782
	136,505	72,650
Less: Provision for doubtful debts	**(38,108)**	(40,212)
	98,397	32,438

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK$314,763,000 (2003: HK$252,606,000) owing from an advertising agent, Shenzhou Television Company Ltd. ("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 interests at prevailing bank interest rates. As a result of the foreign exchange restrictions in the PRC, the remittances of the amount receivable from Shenzhou to the Group are not conducted in fixed repayment terms.

The Group has set up a commercial and trust arrangement with Shenzhou, details of which have been disclosed in the announcement made by the Company on 25 September 2002.

The Trust Law in the PRC enacted in recent years has not laid out specific detailed implementation rules to our trust arrangement with Shenzhou, therefore the extent of the enforceability of such arrangement is still unclear. Although the management recognised that the present arrangement is the only legally viable arrangement, the management will continue to monitor and explore alternatives to improve the situation.

The Directors are of the opinion that the amount owing from Shenzhou of approximately HK$314,763,000 as at 31 December 2004 is fully recoverable and no provision is required.

12. INVENTORIES

	2004	2003
	HK$'000	*HK$'000*
Decoder devices and satellite receivers	**8,751**	9,187

13. AMOUNTS DUE FROM/TO RELATED COMPANIES

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and have no fixed repayment terms (2003: same).

14. PURCHASED PROGRAMME AND FILM RIGHTS, NET

	Year ended 31 December 2004	Six months ended 31 December 2003
	HK$'000	*HK$'000*
Balance, beginning of year/period	**33,392**	37,330
Additions	**20,414**	12,212
Amortisation	**(23,169)**	(15,664)
Disposals and others	**(570)**	(486)
Balance, end of year/period	**30,067**	33,392
Less: Purchased programme and film rights – current portion	**(11,665)**	(9,259)
	18,402	24,133

15. FIXED ASSETS, NET

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Broadcast operations and other equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2004	18,472	2,784	96,602	6,219	124,077
Additions	4,429	60	9,377	2,895	16,761
Disposals/Write-off	(221)	(18)	(147)	(376)	(762)
Exchange differences	144	87	781	26	1,038
At 31 December 2004	22,824	2,913	106,613	8,764	141,114
Accumulated depreciation					
At 1 January 2004	8,151	1,368	48,960	2,991	61,470
Charge for the year	3,131	434	19,780	1,304	24,649
Disposals/Write-off	(110)	(6)	(90)	(269)	(475)
Exchange differences	53	41	492	15	601
At 31 December 2004	11,225	1,837	69,142	4,041	86,245
Net book value					
At 31 December 2004	11,599	1,076	37,471	4,723	54,869
At 31 December 2003	10,321	1,416	47,642	3,228	62,607

16. PROPERTY DEPOSIT AND DEVELOPMENT COSTS

On 11 June 2001, a subsidiary of the Company entered into an agreement with 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau)[1] to acquire a land use right for a parcel of land situated in Shenzhen, the PRC, for the development of a building, which includes a production centre for the Group. The total consideration for the acquisition was approximately HK$57,354,000.

During the year ended 30 June 2002, the subsidiary of the Group transferred the interest in the land use right to another subsidiary, 深圳鳳凰置業有限公司, a sino-foreign co-operation company incorporated in the PRC, in which Phoenix Real Properties Limited ("Real Properties") owned 90% equity interest. Real Properties was a wholly-owned subsidiary of the Group.

Pursuant to the payment terms of the agreement, the full amount of approximately HK$57,354,000 has been paid to the 深圳市規劃國土局 (The Shenzhen National Land Planning Bureau)[1] as the cost of the land use rights acquisition, and was recorded as a land deposit of Phoenix Group as at 30 June 2003. The increase in value to HK$62,515,000 as at 31 December 2004 represents other relevant costs incurred in connection with the development of the building.

Pursuant to an agreement dated 29 October 2003 entered into by the Group and Oasiscity Limited ("Oasiscity"), a wholly-owned subsidiary of Neo-China Group (Holdings) Limited (formerly known as "Neo-Tech Global Limited"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Oasiscity acquired 60% interest in Real Properties. The acquisition was completed on 13 January 2004.

On the same date, Oasiscity executed a share charge in favour of the Group, under which it charged a 30% equity interest in Real Properties, as security for the due performance of its obligations under the agreement dated 29 October 2003. Pursuant to the agreement, Oasiscity will be responsible for providing all required financing for the development of the building and the Group is not required to provide any further financing for the development of the building but will be entitled to a relevant portion of the non-saleable area on completion of the development, which is expected to have a value of not less than the current carrying value in its book of HK$62,515,000 (2003: HK$61,120,000).

1 name translated for reference only

17. INVESTMENT IN AN ASSOCIATED COMPANY

	2004	2003
	HK$'000	*HK$'000*
Investment, at cost	**–**	–

Details of the associated company as at 31 December 2004 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

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2004	2003
	HK$'000	*HK$'000*
Investment, at cost	**472**	472

Details of the jointly controlled entity as at 31 December 2004 were as follows:

Name	**Place and date of incorporation**	**Place of operation**	**Principal activity**	**Percentage of equity interest held by the Group**
北京翡翠鳳凰文化投資諮詢有限公司	PRC, 27 June 2003	PRC	Dormant	40%

19. OTHER INVESTMENTS

The Group invested in unlisted securities at a cost of approximately HK$54,425,000, with an estimated fair value of approximately HK$53,461,000 as at 31 December 2004 (2003: Nil).

20. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note i)*	**–**	–
Amount due from a subsidiary, net *(Note ii)*	**1,276,312**	1,276,740
	1,276,312	1,276,740

Notes:

(i) Details of subsidiaries as at 31 December 2004 were as follows:

Name	**Place and date of incorporation**	**Place of operation**	**Principal activities**	**Percentage of equity interest held by the Group**	**Issued and fully paid share capital/ registered capital**
Hong Kong Phoenix Weekly Magazine Limited	Hong Kong 29 November 1999	Hong Kong	Publishing and distribution of periodicals	77%	HK$100
Hong Kong Phoenix Satellite Television Limited	Hong Kong 19 January 2001	Hong Kong	Dormant	100%	HK$2
Phoenix Satellite Television (InfoNews) Limited	British Virgin Islands 6 September 1999	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television (B.V.I.) Holding Limited *(Note a)*	British Virgin Islands 28 April 1998	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television (Chinese Channel) Limited	British Virgin Islands 29 June 1998	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Company Limited	Hong Kong 16 November 1995	Hong Kong	Provision of management and related services	100%	HK$20

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television (Europe) Limited	British Virgin Islands 5 July 1999	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television Information Limited	British Virgin Islands 1 September 1999	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television (Movies) Limited	British Virgin Islands 26 June 1998	British Virgin Islands	Satellite television broadcasting	100%	US$1
Phoenix Satellite Television Trademark Limited	British Virgin Islands 8 January 1996	British Virgin Islands	Trademark holding	100%	US$1
Phoenix Weekly Magazine (BVI) Limited	British Virgin Islands 24 January 2000	British Virgin Islands	Investment holding	100%	US$1
PHOENIXi Investment Limited	British Virgin Islands 28 October 1999	British Virgin Islands	Investment holding	94.3%	US$123,976 (Ordinary shares) US$7,500 (Series A preferred shares)
PHOENIXi, Inc.	The United States of America 3 June 1999	The United States of America	Dormant	94.3%	US$0.1
Phoenix Satellite Television Development (BVI) Limited	British Virgin Islands 6 January 2000	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television Development Limited	Hong Kong 16 April 1999	Hong Kong	Investment holding	100%	HK$2
PCNE Holdings Limited	British Virgin Islands 5 January 2000	British Virgin Islands	Investment holding	70%	US$1,000

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
Phoenix Satellite Television (Taiwan) Limited	British Virgin Islands 31 August 2000	British Virgin Islands	Programme production	100%	US$1
Phoenix Satellite Television (Universal) Limited	British Virgin Islands 18 July 2000	British Virgin Islands	Investment holding	100%	US$1
Phoenix Satellite Television (U.S.) Inc.	The United States of America 7 September 2000	The United States of America	Provision of management and promotional related services	100%	US$1
Phoenix Chinese News & Entertainment Limited *(note b)*	The United Kingdom 12 November 1990	The United Kingdom	Satellite television broadcasting	70%	£9,831,424
Phoenix Global Television Limited	British Virgin Islands 8 October 2001	British Virgin Islands	Investment holding	100%	US$1
Phoenix Glow Limited	British Virgin Islands 14 March 2001	British Virgin Islands	Provision of agency services	100%	US$1
Phoenix Satellite Television Investments (BVI) Limited	British Virgin Islands 2 January 2001	British Virgin Islands	Dormant	100%	US$1
國鳳在線(北京)信息技術有限公司 Guofeng On-line (Beijing) Information Technology Company Limited	PRC 18 April 2000	PRC	Internet services	94.3%	US$500,000

Name	Place and date of incorporation	Place of operation	Principal activities	Percentage of equity interest held by the Group	Issued and fully paid share capital/ registered capital
鳳凰影視(深圳)有限公司 Phoenix Film and Television (Shenzhen) Company Limited	PRC 6 March 2000	PRC	Ancillary services for programme production	60%	HK$10,000,000
深圳市梧桐山電視廣播有限公司 Shenzhen Wutong Shan Television Broadcasting Limited	PRC 31 July 2001	PRC	Programme production	54%	RMB5,000,000

(a) Phoenix Satellite Television (B.V.I.) Holding Limited is directly held by the Company, while all other subsidiaries are indirectly held by the Company through Phoenix Satellite Television (B.V.I.) Holding Limited.

(b) Phoenix Chinese News & Entertainment Limited has a financial accounting year of 30 June 2004 which is not coterminous with the Group. Management accounts for the year ended 31 December 2004 have been provided for the purpose of the preparation of the consolidated accounts.

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

(iii) The Company has undertaken to provide necessary financial resources to support the future operations of the subsidiaries. The Directors are of the opinion that the underlying value of the subsidiaries was not less than the carrying amount of the subsidiaries as at 31 December 2004.

(iv) Pursuant to an agreement dated 29 October 2003 entered into by the Group and Oasiscity (see note 16), it was agreed between the Group and Oasiscity that significant influence over the operational and financial decisions on Real Properties and 深圳鳳凰置業有限公司 should pass on 29 October 2003. Accordingly, Real Properties and 深圳鳳凰置業有限公司 were not accounted for as associated companies of the Group since 29 October 2003.

21. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	2004	2003
	HK$'000	*HK$'000*
Accounts payable	**11,615**	8,834
Other payables and accruals	**153,463**	87,598
	165,078	96,432

The ageing analysis of the accounts payable is as follows:

	2004	2003
	HK$'000	*HK$'000*
0-30 days	**6,851**	4,559
31-60 days	**2,711**	1,226
61-90 days	**468**	659
91-120 days	**343**	224
Over 120 days	**1,242**	2,166
	11,615	8,834

22. PENSION OBLIGATIONS

The Group operates a number of defined contribution pension schemes in accordance with the respective subsidiaries' local practices and regulations. The Group is obligated to contribute funding to these plans at various funding rates of the employees' salaries. The assets of which are generally held in separate trustee administered funds.

(a) Employees in Hong Kong are provided with a defined contribution provident fund scheme and the Group is required to make monthly contribution to the scheme based on 10% of the employees' basic salaries. Forfeited contributions are used to offset the employer's future contributions. For the year ended 31 December 2004, the aggregate amount of the employer's contributions was approximately HK$10,014,000 (six months ended 31 December 2003: HK$7,347,000). For the year ended 31 December 2004, the total amount of forfeited contributions was approximately HK$859,000 (six months ended 31 December 2003: HK$145,000).

The assets of the scheme are held separately from those of the Group and are managed by independent professional fund managers.

Since 1 December 2000, the employees in Hong Kong can elect to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme was introduced pursuant to the Mandatory Provident Fund legislation introduced in 2000. Under the MPF Scheme, the Group and each of the employees make monthly contribution to the scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund legislation.

Both the employer's and the employees' contributions are subject to a cap of monthly relevant income of HK$20,000 for each employee. For those employees with monthly relevant income less than HK$5,000 since 1 February 2003, the employees' contributions are voluntary.

During the year ended 31 December 2004, the aggregate amount of employer's contributions made by the Group to the MPF Scheme was approximately HK$1,148,000 (six months ended 31 December 2003: HK$559,000). For the year ended 31 December 2004, the total amount of forfeited contributions was approximately HK$84,000 (six months ended 31 December 2003: HK$164,000).

(b) Pursuant to the relevant local regulations of the countries where the overseas subsidiaries of the Group are located, these subsidiaries participate in respective government retirement benefit schemes and/or setting its own Schemes whereby they are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the respective countries. The Group has no further obligation beyond the required contributions. The contributions under the Schemes are charged to the profit and loss account as incurred.

23. SHARE CAPITAL

	As at 31 December 2004		As at 31 December 2003	
	Number of shares	**Amount** *HK$'000*	Number of shares	Amount *HK$'000*
Authorised:				
Ordinary share of HK$0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of year/period	**4,931,730,000**	**493,173**	4,931,730,000	493,173
Exercise of share options	**5,066,000**	**507**	–	–
End of year/period	**4,936,796,000**	**493,680**	4,931,730,000	493,173

24. SHARE OPTIONS

The Company has several share option schemes under which it may grant options to employees of the Group (including Executive Directors of the Company) to subscribe for shares of the Company. Options are granted and exercisable in accordance with the terms set out in the relevant schemes. Options granted are not recognised in the financial statements of the Group until they are exercised.

Movements of share options during the year ended 31 December 2004 were as follows:

Date of grant	Exercise period	Subscription price	Beginning of year	Granted during the year	Exercised during the year	Lapsed as a result of termination of employment	End of year
		HK$					
14 June 2000	14 June 2001 to 13 June 2010	1.08	45,928,000	–	(4,708,000)	(248,000)	40,972,000
15 February 2001	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	–	1,700,000
10 August 2001	10 August 2002 to 9 August 2011	1.13	12,160,000	–	(120,000)	–	12,040,000
20 December 2002	20 December 2003 to 19 December 2012	0.79	2,468,000	–	(238,000)	–	2,230,000
			62,256,000	–	(5,066,000)	(248,000)	56,942,000

25. RESERVES

Group

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

	Group			
	Share premium *HK$'000*	**Exchange reserve** *HK$'000*	**Accumulated deficit** *HK$'000*	**Total** *HK$'000*
At 1 July 2003	824,839	801	(573,605)	252,035
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	78	–	78
Loss attributable to shareholders	–	–	(38,866)	(38,866)
At 31 December 2003	824,839	879	(612,471)	213,247
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	1,325	–	1,325
Exercise of share options	4,902	–	–	4,902
Profit attributable to shareholders	–	–	150,494	150,494
At 31 December 2004	829,741	2,204	(461,977)	369,968

Company

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

	Company		
	Share premium	**Accumulated deficit**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2003	824,839	(40,182)	784,657
Loss attributable to shareholders	–	(342)	(342)
At 31 December 2003	824,839	(40,524)	784,315
Exercise of share options	4,902	–	4,902
Loss attributable to shareholders	–	(437)	(437)
At 31 December 2004	829,741	(40,961)	788,780

Note:

Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders. As at 31 December 2004, in the opinion of the Directors, the Company's reserves available for distribution to shareholders, comprising the share premium account and accumulated deficit, amounted to approximately HK$788,780,000 (2003: HK$784,315,000).

26. DEFERRED TAXATION

Deferred taxation for the year ended 31 December 2004 are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$496,000,000 as at 31 December 2004 (2003: HK$548,000,000) to carry forward against future taxable income. Included in the unrecognised tax losses, approximately HK$485,000,000 (2003: HK$529,000,000) have no expiry date and the remaining balance will expire at various dates up to and including 2022.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year/period is as follows:

Deferred tax liabilities

	Accelerated tax depreciation		**Purchased programme and film rights**		**Total**	
	Year ended 31 December 2004	Six months ended 31 December 2003	**Year ended 31 December 2004**	Six months ended 31 December 2003	**Year ended 31 December 2004**	Six months ended 31 December 2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the year/period	**60**	113	**683**	2,111	**743**	2,224
Credited to profit and loss account	**(30)**	(53)	**(683)**	(1,428)	**(713)**	(1,481)
At the end of the year/period	**30**	60	**–**	683	**30**	743

Deferred tax assets

	Tax losses		**Accelerated tax depreciation**		**Purchased programme and film rights**		**Total**	
	Year ended 31 December 2004	Six months ended 31 December 2003	**Year ended 31 December 2004**	Six months ended 31 December 2003	**Year ended 31 December 2004**	Six months ended 31 December 2003	**Year ended 31 December 2004**	Six months ended 31 December 2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the year/period	**(3,547)**	(5,967)	**2,804**	3,666	**–**	77	**(743)**	(2,224)
Charged to profit and loss account	**284**	2,420	**429**	(862)	**–**	(77)	**713**	1,481
At the end of the year/period	**(3,263)**	(3,547)	**3,233**	2,804	**–**	–	**(30)**	(743)

27. ADDITIONAL FINANCIAL INFORMATION ON CONSOLIDATED BALANCE SHEET

As at 31 December 2004, the net current assets of the Group amounted to approximately HK$680,766,000 (2003: HK$564,191,000). On the same date, the total assets less current liabilities were approximately HK$870,515,000 (2003: HK$713,266,000).

28. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit/(loss) from operations to net cash inflow/(outflow) from operations

	Year ended 31 December 2004 *HK$'000*	Six months ended 31 December 2003 *HK$'000* *(note 32)*
Profit/(loss) from operations	**138,536**	(44,579)
Depreciation of fixed assets	**24,649**	10,565
Amortisation of purchased programme and film rights and other charges	**23,739**	16,150
Other income, net	**8,247**	5,143
Exchange gain, net	**1,927**	834
Loss on disposal of fixed assets	**108**	87
Reimbursement of operating and selling, general and administrative expenses by Oasiscity	**–**	(3,596)
Increase in accounts receivable, net	**(65,959)**	(2,240)
Increase in prepayments, deposits and other receivables	**(73,354)**	(5,173)
Decrease in inventories	**436**	1,430
Increase in amounts due from related companies	**(284)**	–
Decrease in self-produced programmes	**685**	10,180
Increase in accounts payable, other payables and accruals	**68,646**	2,676
Decrease in deferred income	**(13,506)**	(15,213)
Decrease in amounts due to related companies	**(1,897)**	(1,905)
NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS	**111,973**	(25,641)

29. BANKING FACILITIES

As at 31 December 2004, the Group had banking facilities amounted to approximately HK$18,700,000 (2003: HK$18,400,000) of which approximately HK$12,600,000 (2003: HK$10,800,000) was unutilised. The facilities are covered by counter indemnities from the Group.

As at 31 December 2004, deposits of approximately HK$3,700,000 (2003: HK$3,400,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

30. COMMITMENTS

(a) Programme and film rights acquisition

As at 31 December 2004, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$74,373,000 (2003: HK$97,302,000) of which all (2003: HK$94,437,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited ("STAR Filmed") extending to 27 August 2008. Total programme and film rights related commitments are analysed as follows:

	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**20,343**	23,148
Later than one year and not later than five years	**54,030**	74,154
	74,373	97,302

(b) Service charges

As at 31 December 2004, the Group had total committed service charges payable to Satellite Television Asian Region Limited ("STARL") of approximately HK$62,741,000 (2003: HK$105,103,000) in respect of a service agreement expiring on 30 June 2006. Total committed service charges payable to STARL are analysed as follows:

	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**41,780**	41,846
Later than one year and not later than five years	**20,961**	63,257
	62,741	105,103

As at 31 December 2004, the Group had committed service fee receivable from ATV of approximately HK$1,953,000 (2003: HK$3,246,000) in respect of the provision of technical support services and equipment to ATV for the operation of the ATV Home Channel (U.S. version) in the United States. Total future minimum service fees receivable are analysed as follows:

	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**1,302**	1,298
Later than one year and not later than five years	**651**	1,948
	1,953	3,246

(c) Operating lease

As at 31 December 2004, the Group had rental commitments of approximately HK$32,062,000 (2003: HK$32,875,000) under various operating leases extending to September 2011. Total future minimum lease payments payable under non-cancellable operating leases are as follows:

	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**12,647**	10,961
Later than one year and not later than five years	**16,181**	17,285
Later than five years	**3,234**	4,629
	32,062	32,875

(d) Capital commitment

On 5 August 2004, the Group entered into an agreement with 北京廣播公司 to form a sino-foreign joint venture, 北京同步廣告傳播有限公司, in the PRC. The joint venture will focus on developing advertising businesses in radio broadcasting industry. Pursuant to the agreement, the Group shall inject approximately HK$12,900,000 (equivalent to RMB13,500,000) for a 45% shareholding in this joint venture, of which approximately HK$11,500,000 (equivalent to RMB12,000,000) shall be paid within three months from the date of issue of the business license of the joint venture and the remaining amount shall be paid within thirty-six months from the said date. The business license of the joint venture was issued in January 2005 and approximately HK$11,500,000 was paid by the Group to this joint venture in January 2005.

(e) Other commitments

As at 31 December 2004, the Group had the following additional significant operating commitments:

Details of commitments	Payee	**2004** Not later than one year *HK$'000*	**2004** Later than one year and not later than five years *HK$'000*	**2004** Total commitment *HK$'000*	2003 Total commitment *HK$'000*
Provision of transponder, uplinking, encoding and electronic programme guide services	British Sky Broadcasting Limited ("BSkyB")	**2,601**	**–**	**2,601**	6,975
Provision of data transmission services	PCCW-HKT Network Services Limited	**3,066**	**1,643**	**4,709**	2,418
Provision of news and datafeed services	The Associated Press Television News Limited	**1,037**	**145**	**1,182**	1,848
Provision of office management services	Rhine Office Investments Ltd, Elbe Office Investments Ltd. and Hutchison Hotel HK Ltd.	**2,401**	**1,300**	**3,701**	6,102
Provision of transponder rental services	卜樂視科技股份有限公司	**–**	**–**	**–**	1,679
Provision of channel leasing services	Charter Communications	**–**	**–**	**–**	1,463
Provision of optic fibre transmission services	China Netcom (USA) Operations Limited	**1,551**	**–**	**1,551**	651
Provision of programming services	Exclusive Production Limited	**–**	**–**	**–**	405
Provision of agency services	東莞市樂天物業發展公司	**–**	**–**	**–**	250
Provision of programme co-ordination services	株式會社中華音像出版	**–**	**–**	**–**	249
Provision of construction engineering services	中廣國際建築設計研究院	**967**	**–**	**967**	–
Provision of performance services	陳文茜	**940**	**–**	**940**	–
Provision of management services	深圳市深投物業管理有限公司	**741**	**169**	**910**	–
Provision of consultancy and design services	Ideal Systems Asia Pacific Ltd	**855**	**–**	**855**	–
		14,159	**3,257**	**17,416**	22,040

31. RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common significant influence. Related parties may be individuals or entities.

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

	Notes	**Year ended 31 December 2004** *HK$'000*	Six months ended 31 December 2003 *HK$'000*
Service charges paid/payable to STARL	a, b	**52,917**	22,116
Commission for advertising sales and marketing services paid/payable to STARL	a, c	**944**	1,796
Commission for international subscription sales and marketing services paid/payable to STARL	a, d	**2,645**	1,358
Sales of decoder devices to STARL	a, e	**64**	24
Film licence fees paid/payable to STAR Filmed	a, f	**20,337**	10,172
Purchase of broadcast operations and engineering equipment from STARL	a, g	**98**	1,442
Programme licence fees paid/payable to ATVE	h, i	**709**	2,250
Service charges paid/payable to ATV	h, j	**790**	360
Service charges received/receivable from ATV	h, k	**1,402**	651
Service charges paid/payable to Fox	l, m	**3,792**	2,070
Service charges paid/payable to BSkyB	n, o	**5,012**	2,534
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	p, q	**2,309**	1,005
Programme licence fees to SGL Entertainment Limited ("SGL Entertainment")	a, r	**1,182**	–

Notes:

The Directors have confirmed that all of the above related party transactions have been carried out in the normal course of business of the Group.

(a) STARL, STAR Filmed, SGL Entertainment and other STAR TV group companies are wholly-owned subsidiaries of STAR Group Limited, which owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

(b) Service charges paid/payable to STARL covering a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 29 May 2003. 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 10 June 2003 (the "Circular"). Either fixed fees or variable fees are charged depending on the type of services utilised.

(c) The commission for advertising sales and marketing services paid/payable to STARL is based on 15% (six months ended 31 December 2003: 4%-15%) of the net advertising income generated and received by it on behalf of the Group after deducting the relevant amount of the third party agency fees.

(d) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (six months ended 31 December 2003: 15%) of the subscription fees generated and received by it on behalf of the Group.

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

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

(g) Purchases of broadcast operations and engineering equipment from STARL are charged in accordance with the equipment purchase agreement.

(h) ATVE is a wholly-owned subsidiary of ATV which is considered to be a connected party to the Company pursuant to the GEM Listing Rules. Mr. LIU, Changle and Mr. CHAN, Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly owns approximately 46% of ATV as at 31 December 2004. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 December 2004. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

(i) Pursuant to a programme licensing agreement dated 29 May 2003, the programme licence fees paid/payable to ATVE with respect to a list of programmes as stipulated in the schedule of the agreement are charged at a fixed fee or fees to be mutually agreed. The summary of the terms of the agreement are set out in the section headed "ATV Programme Licensing Agreement" of the Circular.

(j) 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.

(k) 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.

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

(m) 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.

(n) BSkyB is 36.3% owned by News Holdings Limited (formerly known as The News Corporation Limited) ("NHL") which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd., a substantial shareholder of the Company.

(o) 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.

(p) DIRECTV is an associate of NHL which indirectly owned 100% of Xing Kong Chuan Mei Group Co., Ltd.

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

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

32. COMPARATIVE FIGURES

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

33. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 10 March 2005.

CONSOLIDATED RESULTS

	Year ended 31 December 2004 HK$'000	Six months ended 31 December 2003 HK$'000 (As restated)	Year ended 30 June 2003 HK$'000	2002 HK$'000	2001 HK$'000
Results					
Revenue	**1,113,048**	350,347	709,970	685,043	713,687
Operating expenses	**(828,449)**	(326,318)	(661,238)	(709,700)	(579,421)
Selling, general and administrative expenses	**(146,063)**	(68,608)	(142,065)	(140,356)	(132,974)
Profit/(loss) from operations	**138,536**	(44,579)	(93,333)	(165,013)	1,292
Other income/(expenses), net	**17,518**	7,958	21,631	(29,216)	50,566
Profit/(loss) before taxation and minority interests	**156,054**	(36,621)	(71,702)	(194,229)	51,858
Taxation	**(4,826)**	(2,559)	(3,811)	(3,141)	(1,356)
Profit/(loss) before minority interests	**151,228**	(39,180)	(75,513)	(197,370)	50,502
Minority interests	**(734)**	314	3,150	(2,346)	3,734
Profit/(loss) attributable to shareholders	**150,494**	(38,866)	(72,363)	(199,716)	54,236

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December			As at 30 June	
	2004	2003	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,082,592**	878,039	932,603	997,806	1,170,170
Total liabilities	**(212,107)**	(165,516)	(180,563)	(171,054)	(148,814)
Minority interests	**(6,837)**	(6,103)	(6,832)	(9,982)	(5,019)
Shareholders' equity	**863,648**	706,420	745,208	816,770	1,016,337

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

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