



Phoenix Satellite Television Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2002/2003

Phoenix Satellite Television Holdings Limited

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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.

SUMMARY

- Revenue increased by 6.2% to approximately HK\$165,653,000
- Operating costs slightly decreased by 1.2% to approximately HK\$192,354,000 due to various cost-control schemes implemented since July 2002
- Operating loss decreased by 31.1% to approximately HK\$26,701,000, mainly attributable to a moderate increase in advertising revenue and a reduction in operating costs
- Loss attributable to shareholders decreased by 41.4% to approximately HK\$20,424,000

CHAIRMAN'S STATEMENT

Financial Review

Revenue of the Group for the three months ended 30 September 2002 was approximately HK\$165,653,000, which represented an increase of 6.2% over the same period last year. Advertising revenue, which represented 90.8% of total revenue, increased by 4.7%. Operating costs decreased by 1.2% to approximately HK\$192,354,000 as compared with the same period last year which was mainly the result of various cost-control schemes implemented since July 2002.

The Group's operating loss for the three months ended 30 September 2002 decreased by 31.1% to approximately HK\$26,701,000 and loss attributable to shareholders also decreased by 41.4% to approximately HK\$20,424,000. The decrease in loss was mainly attributable to a moderate increase in advertising revenue and a reduction in operating costs.

This performance led to a better result than in the same quarter last year even though the Group's accounts for that quarter did not include the operating loss of Phoenix Chinese News and Entertainment Channel.



Results of Phoenix Group for this quarter and the same period last year respectively are summarised below:

	Three months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Revenue	165,653	156,022
Operating costs	(192,354)	(194,750)
Loss from operations	(26,701)	(38,728)
Loss attributable to shareholders	(20,424)	(34,881)
Loss per share, Hong Kong cents	(0.41)	(0.71)

We have put considerable effort into finding ways of cutting production costs while not compromising the quality of our channels. We have done this in part by seeking to provide the in-house services that were previously outsourced. But we have also rationalized other aspects of the Group's operations, for example transmitting a single signal via fibre optic from Hong Kong to both Phoenix North America Chinese and Phoenix Chinese News and Entertainment channels. We believe there is room for further reduction in costs in the long run.

The table below shows the operating results of our businesses for this quarter and the same period last year respectively:

	Three months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Phoenix Chinese and Movies channels	45,089	41,679
Phoenix InfoNews, North America Chinese and Chinese News and Entertainment channels	(45,077)	(49,574)
Other businesses	(6,098)	(4,236)
Management overheads	(20,615)	(26,597)
Loss from operations	<u>(26,701)</u>	<u>(38,728)</u>

Phoenix Chinese Channel has remained by far the most important source of revenue for the Group, accounting for 90.0% of the Group's total revenue, and showed an increase of 4.4% in revenue as compared with same period last year. All indicators suggest that Phoenix Chinese Channel will continue to do well. A recent viewers' satisfaction survey conducted by China Central Television reveals that Phoenix Chinese Channel has the second highest level of audience satisfaction, loyalty and popularity, out of over 50 local and foreign satellite television channels in China.

Revenues of Phoenix Movies Channel and Phoenix Chinese News and Entertainment Channel were relatively stable while Phoenix North America Chinese Channel recorded a moderate growth in subscription revenue. The operating costs of all these channels are relatively low as compared with Phoenix Chinese Channel or Phoenix InfoNews Channel.

We are keenly aware of investor interest in the prospects for Phoenix InfoNews Channel, and are confident of the viability of this channel. Phoenix InfoNews, which began to operate at the beginning of last year and is still at the investment stage, has shown itself to be a high quality product with the potential to perform very well across Asia. We have been working to secure landing rights for InfoNews both on the mainland and in Taiwan, and at present are optimistic about the prospects of gaining access to both markets. We are also confident that Phoenix's overall economic situation will improve once InfoNews can begin to emulate the record of its Chinese channel.



The Directors of Phoenix Satellite Television Holdings Limited (the "Company") have the pleasure of presenting the unaudited consolidated profit and loss account, condensed consolidated cashflow statement and consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the "Phoenix Group" or the "Group") for the three months ended 30 September 2002 (the "period"), and the unaudited consolidated balance sheet of the Phoenix Group as at 30 September 2002, together with the comparative figures for the corresponding period and relevant date in 2001.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2002, the interests of the Directors and chief executive in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were as follows:

(1) Ordinary shares

Name	Type of interest	Number of ordinary shares
LIU, Changle *	Corporate interests	1,854,000,000

Note: Mr. LIU, Changle is the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia Limited, which in turn is interested in approximately 37.6% of the issued share capital of the Company as at 30 September 2002.

(2) Share options

As at 30 September 2002, the Company had granted the following share options under the Pre-IPO Share Option Scheme to the Directors of the Company to subscribe for ordinary shares of the Company.

Name	Number of options	Date of grant	Exercise price per share HK\$
LIU, Changle *	5,320,000	14 June 2000	1.08
CHUI, Keung *	3,990,000	14 June 2000	1.08

* Being the Executive Directors of the Company.

Save as disclosed herein, as at 30 September 2002, none of the Directors or chief executives of the Company, had any personal, corporate or other interests in the share capital of the Company or its associated corporations as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company and the Stock Exchange.



SHARE OPTION SCHEMES

(A) Share option scheme of the Company

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

(1) Pre-IPO Share Option Scheme

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

Type and number of remaining grantees	Date of grant	Vesting period	Exercise price per share <i>HK\$</i>	Number of share options			Balance as at 30 September 2002
				Balance as at 1 July 2002	Lapsed during the period	Exercised during the period	
2 Executive Directors:							
LIU, Changle	14 June 2000	14 June 2001 to 13 June 2010	1.08	5,320,000	-	-	5,320,000
CHUI, Keung	14 June 2000	14 June 2001 to 13 June 2010	1.08	3,990,000	-	-	3,990,000
112 other employees	14 June 2000	14 June 2001 to 13 June 2010	1.08	43,714,000	(5,474,000)	-	38,240,000
Total:				<u>53,024,000</u>	<u>(5,474,000)</u>	<u>-</u>	<u>47,550,000</u>



During the period from 1 July 2002 to 30 September 2002, 5,474,000 options granted to 6 employees lapsed when they ceased their employment with the Phoenix Group. Save as disclosed above, no option has been exercised, cancelled or lapsed during the period.

No option has been granted to the Non-Executive Directors and Independent Non-Executive Directors under the Pre-IPO Share Option Scheme.

(2) Share Option Scheme

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

Type and number of remaining grantees	Date of grant	Vesting period	Exercise price per share <i>HK\$</i>	Number of share options			Balance as at 30 September 2002
				Balance as at 1 July 2002	Lapsed during the period	Exercised during the period	
2 employees	15 February 2001	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	1,700,000
19 employees	10 August 2001	10 August 2002 to 9 August 2011	1.13	12,860,000	(350,000)	–	12,510,000
Total:							
21 employees				<u>14,560,000</u>	<u>(350,000)</u>	<u>–</u>	<u>14,210,000</u>

During the period from 1 July 2002 to 30 September 2002, 350,000 options granted to 1 employee lapsed. Save as stated above, no option has been exercised, cancelled or lapsed during the period.

No option has been granted to the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors under the Share Option Scheme.

**(B) Share option scheme of a subsidiary of the Company
PHOENIXi Plan**

On 7 June 2000, PHOENIXi Investment Limited ("PHOENIXi"), a member of the Phoenix Group, adopted the PHOENIXi 2000 Stock Incentive Plan (the "PHOENIXi Plan"). Under the PHOENIXi Plan, the employees of PHOENIXi, including any Executive Directors, in the full-time employment of PHOENIXi or its subsidiaries or the Company are eligible to take up options to subscribe for shares in PHOENIXi. The summary of the terms of the PHOENIXi Plan are set out in Appendix VI of the prospectus of the Company dated 21 June 2000 under the section headed "Share Option Schemes".

As at 30 September 2002, no option was granted under the PHOENIXi Plan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option schemes approved by the Shareholders on 7 June 2000, the Committee may, at their discretion, invite any employee of the Company or any of the Phoenix Group companies, including any Executive Directors, to take up options to subscribe for shares. The maximum number of shares in respect of which options may be granted under the share option schemes may 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 Appendix of the Annual Report for the year ended 30 June 2002.

Save as disclosed herein, and other than those in connection with the Phoenix Group reorganisation scheme prior to the Company's listing of shares, at no time during the period was the Company or any of the companies comprising the Phoenix Group a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Phoenix Group's business to which the Company or any of the companies comprising the Phoenix Group was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.



SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the Company's issued share capital:

Name of Shareholder	Number of ordinary shares
STAR Television Holdings Limited (<i>Note 1</i>)	1,854,000,000
Today's Asia Limited (<i>Note 2</i>)	1,854,000,000

Notes:

1. STAR Television Holdings Limited 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 owned approximately 91.76% by The News Corporation Limited. The remaining interests in News Publishing Australia Limited, are held by companies which are ultimately owned by The News Corporation Limited.

By virtue of the SDI Ordinance, The News Corporation Limited, 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 STAR Television Holdings Limited.

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.

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 period.

SPONSORS' INTERESTS

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



COMPETING INTERESTS

Today's Asia Limited, STAR Television Holdings Limited and China Wise International Limited have interest in approximately 37.6%, 37.6% and 8.4% of the share capital of the Company respectively. Today's Asia Limited, together with its shareholders, Mr. LIU, Changle and Mr. CHAN, Wing Kee, STAR Television Holdings Limited and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

STAR Television Holdings Limited, together with its ultimate parent company, The News Corporation Limited ("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 and distribution 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 STAR Television Holdings Limited, owns and operates multimedia digital platforms, including satellite television, in the Asia Pacific region. STAR Group Limited and its subsidiaries (including STAR Television Holdings Limited) 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 in southern China by virtue of an agreement signed among STAR (China) Limited (STAR Group Limited's wholly-owned subsidiary), China International Television Corporation, Guangdong Cable TV Networks Co. Ltd. and Fox Cable Networks Services, L.L.C., an affiliate of STAR Group Limited.

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 Asia Television Limited, a Hong Kong based television broadcasting company. Asia Television Limited is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audience in Hong Kong, Asia Television Limited 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. Asia Television Limited announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through cable system in Guangdong.

ADVANCES TO AN ENTITY

Please refer to Note 8 to the quarterly report for the details of the relevant advance to an entity from the Group which exceeds 25% of the Group's net tangible assets.





AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board of Directors. The audit committee has met regularly to review with management the accounting principles and practices adopted by the Phoenix Group and to discuss auditing, internal control and financial reporting matters (including this unaudited quarterly financial statements before recommending them to the Board of Directors for approval). The audit committee comprises one Non-Executive Director, namely Mr. LAU, Yu Leung John and two independent Non-Executive Directors, namely Dr. LO, Ka Shui and Mr. KUOK, Khoon Ean.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in 5.28 to 5.39 of the Rules Governing the Listing of Securities on the Growth Enterprise Market at any time during the three months ended 30 September 2002.

On behalf of the Board

LIU, Changle

Chairman

Hong Kong, 12 November 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT - UNAUDITED

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2002

	Note	For the three months ended 30 September 2002 HK\$'000	For the three months ended 30 September 2001 HK\$'000 (Note 12)
REVENUE	2	165,653	156,022
OPERATING EXPENSES	11	(160,822)	(164,681)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	11	(31,532)	(30,069)
LOSS FROM OPERATIONS		(26,701)	(38,728)
OTHER INCOME (EXPENSES)			
Exchange gain (loss), net		536	(516)
Interest income, net		1,749	4,695
Other income, net		3,862	1,057
LOSS BEFORE TAXATION AND MINORITY INTERESTS		(20,554)	(33,492)
TAXATION	3	(926)	(2,129)
LOSS BEFORE MINORITY INTERESTS		(21,480)	(35,621)
MINORITY INTERESTS		1,056	740
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(20,424)	(34,881)
ACCUMULATED DEFICIT, beginning of period		(501,494)	(301,778)
		(521,918)	(336,659)
DIVIDENDS	4	—	—
ACCUMULATED DEFICIT, end of period		(521,918)	(336,659)
BASIC LOSS PER SHARE, Hong Kong cents	5	(0.41)	(0.71)
DILUTED LOSS PER SHARE, Hong Kong cents	5	N/A	N/A



CONSOLIDATED BALANCE SHEET - UNAUDITED


AS AT 30 SEPTEMBER 2002

		As at 30 September 2002 HK\$'000	As at 30 June 2002 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Fixed assets, net		79,469	83,799
Purchased programme and film rights	6	38,983	28,276
Land deposit	7	29,177	29,177
Interest in an associated company		—	—
		147,629	141,252
CURRENT ASSETS			
Cash and bank balances		422,563	451,327
Accounts receivable, net		115,408	115,713
Inventories		2,145	1,513
Prepayments, deposits and other receivables	8	235,198	242,024
Amounts due from related companies	11	373	127
Self-produced programmes		18,081	27,355
Purchased programme and film rights, current portion	6	13,255	14,308
		807,023	852,367
CURRENT LIABILITIES			
Accounts payable, other payables and accruals		(100,756)	(104,534)
Deferred income		(12,634)	(12,576)
Advertising revenue received in advance		(3,219)	(16,558)
Amounts due to related companies	11	(27,436)	(28,741)
Profits tax payable		(5,335)	(4,458)
		(149,380)	(166,867)
NET CURRENT ASSETS		657,643	685,500
Total assets less current liabilities		805,272	826,752
NON-CURRENT LIABILITY			
Deferred taxation		(252)	(252)
Minority interests		(8,926)	(9,982)
		796,094	816,518
CAPITAL AND RESERVES			
Share capital	9	493,173	493,173
Reserves		302,921	323,345
TOTAL SHAREHOLDERS' EQUITY		796,094	816,518

CONDENSED CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED*FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2002*

	For the three months ended 30 September 2002 HK\$'000	For the three months ended 30 September 2001 HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(27,674)	(50,436)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,087)	(11,858)
NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES	(3)	924
DECREASE IN CASH AND BANK BALANCES	(28,764)	(61,370)
CASH AND BANK BALANCES, beginning of period	451,327	664,624
CASH AND BANK BALANCES, end of period	422,563	603,254



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED*FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2002*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 July 2001	493,159	824,704	(301,778)	1,016,085
Loss attributable to shareholders	—	—	(34,881)	(34,881)
Exercise of share options	14	135	—	149
As at 30 September 2001	<u>493,173</u>	<u>824,839</u>	<u>(336,659)</u>	<u>981,353</u>
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 July 2002	493,173	824,839	(501,494)	816,518
Loss attributable to shareholders	—	—	(20,424)	(20,424)
As at 30 September 2002	<u>493,173</u>	<u>824,839</u>	<u>(521,918)</u>	<u>796,094</u>



1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited quarterly report is prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants ("HKSA").

This quarterly report should be read in conjunction with the 2001/2002 annual accounts.

The accounting policies and method of computation used in the preparation of this quarterly report are consistent with those used in the annual accounts for the year ended 30 June 2002 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 25 (revised)	Interim financial reporting
SSAP 34	Employee benefits

The adoption of these new and revised SSAPs has no material effect on the Group's results.

2. SEGMENT INFORMATION

The Group is organised into three main business segments including:

- (i) Television broadcasting – broadcasting of television programmes and commercials;
- (ii) Programme production and ancillary services; and
- (iii) Other activities – merchandising services, website portal, magazine publication and distribution, and other related services.

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

3. TAXATION

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions.

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

	Three months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	877	2,102
– Overseas taxes	49	27
	926	2,129

As at 30 September 2002, certain subsidiaries of the Phoenix Group had estimated cumulative tax losses for Hong Kong profits tax purposes which, subject to the agreement of the Inland Revenue Department, can be carried forward indefinitely to offset future taxable profits. The potential deferred tax asset has not been recognised in the unaudited financial statements of the Phoenix Group.

4. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2002 (three months ended 30 September 2001 – nil).

5. LOSS PER SHARE

Loss per share is calculated based on unaudited consolidated loss attributable to shareholders for the three months ended 30 September 2002 of HK\$20,423,556 (three months ended 30 September 2001 – loss of HK\$34,880,905) and the 4,931,730,000 (2001 – 4,931,646,913) weighted average number of ordinary shares outstanding during the three months ended 30 September 2002.

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would have no dilutive effect on loss per share during the three months ended 30 September 2002 and 2001.



6. PURCHASED PROGRAMME AND FILM RIGHTS

	Three months ended 30 September 2002 HK\$'000	Twelve months ended 30 June 2002 HK\$'000 (Audited)
Balance, beginning of period/year	42,584	47,160
Additions	22,107	41,203
Disposals	(323)	(3,233)
Amortisation	(12,130)	(42,546)
	<hr/>	<hr/>
Balance, end of period/year	52,238	42,584
Less: Purchased programme and film rights – current portion	(13,255)	(14,308)
	<hr/>	<hr/>
	38,983	28,276
	<hr/>	<hr/>

7. LAND DEPOSIT

On 11 June 2001, a subsidiary of the Company entered into an agreement with 深圳市規劃國土局(The Shenzhen National Land Planning Bureau) to acquire a land use right on a parcel of land situated in Shenzhen, the People's Republic of China (the "PRC") for the development of a building for the Phoenix Group. The total consideration for the acquisition is approximately HK\$57,354,000. Pursuant to the payment terms of the agreement, an amount of approximately HK\$29,177,000 has been paid to 深圳市規劃國土局(The Shenzhen National Land Planning Bureau) as the first instalment. A final payment of approximately HK\$28,177,000 (see note 10b) is to be paid no later than 13 June 2003. The land use right will be granted to the Phoenix Group only upon full and final payment.

8. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables is an amount of approximately HK\$214,047,000 (as at 30 June 2002 - HK\$208,567,000) owing from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou") in the PRC. The amount represents advertising revenue collected by Shenzhou on behalf of the Group. The balance is unsecured, bears interests at prevailing bank interest rate and has no fixed repayment terms. Please refer to the announcement made by the Company on 25 September 2002 for details of the arrangement with Shenzhou.

9. SHARE CAPITAL

	Three months ended 30 September 2002		Twelve months ended 30 June 2002	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000 (Audited)
Authorised:				
Ordinary share of HK\$0.1 each	10,000,000,000	1,000,000	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of period/year	4,931,730,000	493,173	4,931,592,000	493,159
Exercise of share options	–	–	138,000	14
End of period/year	4,931,730,000	493,173	4,931,730,000	493,173

10. COMMITMENTS

(a) Film rights and programme acquisition

As at 30 September 2002, the Phoenix Group had aggregate outstanding film rights and programme related commitments of approximately HK\$133,436,000 (as at 30 June 2002 – HK\$140,917,000) of which approximately HK\$131,258,000 (as at 30 June 2002 – HK\$138,608,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited extending to 27 August 2008 and approximately HK\$2,178,000 (as at 30 June 2002 – HK\$2,309,000) was in respect of other programme acquisition agreements with third parties. Total film rights and programme related commitments are analysed as follows:

	As at 30 September 2002 HK\$'000	As at 30 June 2002 HK\$'000 (Audited)
Total committed purchase costs of film rights and programmes payable:		
– not later than one year	23,349	23,668
– later than one year and not later than five years	89,908	89,720
– later than five years	20,179	27,529
	133,436	140,917

(b) Land use right

As explained in note 7, the Phoenix Group has an outstanding commitment to pay approximately HK\$28,177,000 no later than 13 June 2003 in respect of a land use right on a parcel of land situated in Shenzhen, the PRC.



11. SIGNIFICANT RELATED PARTY TRANSACTIONS

As at 30 September 2002, the outstanding balances with related companies were unsecured, non-interest bearing and have no fixed repayment terms.

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


		Three months ended 30 September	
		2002	2001
	Notes	HK\$'000	HK\$'000
Office premises rental paid/payable to Satellite Television Asian Region Limited	a, b	257	1,593
Service charges paid/payable to Satellite Television Asian Region Limited	a, c	23,932	34,999
Commission for advertising sales and marketing services paid/payable to Satellite Television Asian Region Limited	a, d	1,458	1,349
Commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited	a, e	564	476
Film licence fees paid/payable to STAR TV Filmed Entertainment Limited	a, f	5,101	5,101
Programme licence fees paid/payable to other STAR TV group companies	a, g	–	675
Programme licence fees paid/payable to Asia Television Limited	g, h	10,213	225
Service charges paid/payable to Asia Television Limited	h, j	51	302
Sale of a motor vehicle to ATV Enterprises Limited	h, i	(323)	–
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	k, l	1,023	1,039
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	m, n	<u>729</u>	<u>–</u>

Notes:

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

- (a) Satellite Television Asian Region Limited, STAR TV Filmed Entertainment Limited and other STAR TV group companies are wholly-owned subsidiaries of STAR Group Limited, which owns 100% of STAR Television Holdings Limited, a major shareholder of the Company.
- (b) Office premises rental paid/payable to Satellite Television Asian Region Limited was determined by reference to the area of space occupied by the Phoenix Group and was proportional to the rental payable by Satellite Television Asian Region Limited in respect of the area occupied by it under its lease with the landlord.
- (c) Service charges paid/payable to Satellite Television Asian Region Limited cover the following services provided to the Phoenix Group which are charged based on the terms as specified under various service agreements with rates agreed upon between both parties. Either fixed fees or variable fees are charged depending on the type of facilities utilised including the following:
- transponder capacity;
 - network;
 - broadcast operations and engineering;
 - uplink and downlink; and
 - general administrative and other support including access to, and the use of, general office facilities, management information system and commercial traffic.
- (d) The commission for advertising sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 4%-20% (2001 – 4%-20%) of the net advertising income generated and received by it on behalf of the Phoenix Group after deducting the relevant amount of the third party agency fees.
- (e) The commission for international subscription sales and marketing services paid/payable to Satellite Television Asian Region Limited is based on 15% (2001 – 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.
- (f) The film licence fees are charged in accordance with a film rights acquisition agreement with STAR TV Filmed Entertainment Limited.
- (g) The programme licence fees paid/payable to other STAR TV group companies and ATV Enterprises Limited are negotiated on a case-by-case basis.
- (h) ATV Enterprises Limited is a wholly-owned subsidiary of Asia Television Limited which is considered to be a connected party to the Company pursuant to the GEM Listing Rules. Mr. LIU, Changle and Mr. CHAN, Wing Kee, indirectly own approximately 46% of Asia Television Limited as at 30 September 2002.
- (i) Sale of a motor vehicle to ATV Enterprises Limited is based on terms mutually agreed upon between both parties.



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- (j) Service charges paid/payable to Asia Television Limited cover news footage and data transmission services provided to the Phoenix Group which are charged based on terms mutually agreed upon between both parties.
- (k) Fox is an associate of STAR Television Holdings Limited.
- (l) Service charges paid/payable to Fox cover the following services provided to the Phoenix Group which are charged based on the terms specified in a service agreement:
- granting of non-exclusive and non-transferable licence to subscribe for Fox's news service;
 - leasing of office space and access to workspace, subject to availability; and
 - accessing Fox's camera hook up at the United Nations, interview positions in various places in the United States and live shots from Fox's satellite truck positions for events that Fox is already covering, subject to availability.
- (m) BSkyB is 36.3% owned by The News Corporation Limited which indirectly owns 100% of STAR Television Holdings Limited.
- (n) Service charges paid/payable to BSkyB cover the following services provided to the Phoenix Group which are charged based on terms specified in the service agreements:
- transponder rental;
 - uplinking services; and
 - encoding and electronic programme guide services.

12. COMPARATIVE FIGURES

Certain expenses previously classified as selling, general and administrative expenses are now classified as operating expenses to conform to the current period's presentation.