Phoenix Satellite Television Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2003/2004

Phoenix Satellite Television Holdings Limited

9th Floor, One Harbourfront, 18 Tak Fung Street,

Hunghom, Kowloon, Hong Kong.

Tel: 852 2621 9888

Fax: 852 2621 9898

Website: http://www.phoenixtv.com

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 decreased by 8.1% to approximately HK$152,208,000, which was mainly attributable to a decrease in the advertising revenue.

- Operating costs decreased by 6.4% to approximately HK$180,135,000, while operating losses increased by 4.6% to approximately HK$27,927,000 against the same period last year.

- Phoenix is preparing to introduce a major structural change to the arrangements for advertising sales in the Chinese market, which should improve financial performance.

- The Group is also planning to reduce further the amount of shared programming on Phoenix Chinese Channel and InfoNews Channel in order to highlight the separate identity of each channel and thus enhance the capacity to market both channels.

A NEW BUSINESS INITIATIVE

With Phoenix's status as one of the main nation-wide broadcasters being increasingly recognized in the mainland market, and with landing rights being granted to Phoenix InfoNews, the Group has decided to make a major strategic change to the way it markets advertising in China. Under the current arrangement, Phoenix relies heavily on the sales force of one agent, Shenzhou Television Company Ltd. to sell advertising in mainland China, but from the beginning of 2004 a large number of programmes will be designated as available to any interested agents to market to potential sponsors and advertisers with the view to widen and diversify client base.

Phoenix only began to publicise this new approach in mid October, but it has already elicited enthusiastic responses from advertising agents across the country. Although at this stage it is not possible to quantify the positive impact this will have on the Group's revenue, the discussions with advertising agencies interested in becoming involved in marketing Phoenix programming to advertisers on the mainland has been extremely encouraging. Under this new approach, Phoenix will be well placed to take advantage of the increasingly competitive domestic Chinese advertising market. This initiative also helps to ensure that Phoenix can maintain control of its pricing power.

FINANCIAL REVIEW

Revenue of the Group for the three months ended 30 September 2003 was approximately HK$152,208,000, which represented a decrease of 8.1% over the same period last year. Advertising revenue, which represented 89.2% of total revenue, decreased by 9.7%. This decrease in advertising revenue was significantly larger than the seasonal fluctuation experienced in the first quarter of previous financial years.

While there is no definitive explanation for this drop in revenue, the fact that the first two months of the quarter were most severely effected suggests that it might have been at least in part the delayed impact of SARS on the Group's revenue. Given that as a satellite broadcaster with an audience spread right across the Chinese mainland, Phoenix's advertising clients are located in many provinces and municipalities and the influence of SARS on domestic travel, and on the commercial focus of various advertising clients, seems to have contributed to a much larger than expected reduction in income in July and August this year.

Operating costs decreased by 6.4% to approximately HK$180,135,000 as compared with the same period last year, which included a one-off write back of an over-provision of approximately HK$4,500,000 relating to a dispute over service charges which had been resolved. Despite the decrease in operating costs, however, the drop in revenue led to the Group's operating loss for the three months ended 30 September 2003 increasing by 4.6% to approximately HK$27,927,000. Loss attributable to shareholders increased from approximately HK$20,424,000 in the last financial year to approximately HK$25,631,000. The increase in loss attributable to shareholders was partly attributable to the reduction of interest income in this quarter and also the fact that a non-recurring handling income from a project in US was included in the other income of the last financial year.

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

	Three months ended 30 September	
	2003	2002
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**126,601**	149,125
Phoenix InfoNews Channel	**7,465**	2,033
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**12,714**	9,173
Other businesses	**5,428**	5,322
Group's total revenue	**152,208**	165,653
Operating costs	**(180,135)**	(192,354)
Loss from operations	**(27,927)**	(26,701)
Loss attributable to shareholders	**(25,631)**	(20,424)
Loss per share, Hong Kong cents	**(0.52)**	(0.41)

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

	Three months ended 30 September	
	2003	2002
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**37,646**	50,190
Phoenix InfoNews Channel	**(26,505)**	(30,583)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(10,200)**	(20,482)
Other businesses	**(3,680)**	(5,211)
Corporate overheads	**(25,188)**	(20,615)
Loss from operations	**(27,927)**	(26,701)

Although it experienced a decrease of 15.1% in revenue as compared with same period last year, Phoenix Chinese Channel remained by far the most important source of revenue for the Group, accounting for 83.2% of the Group's total revenue. The performance of Phoenix InfoNews Channel continued to display gradual improvement as revenue increased after the granting of landing right in January 2003.

Revenues of Phoenix North America Chinese Channel recorded a satisfactory growth in subscription revenue, while Phoenix Movies Channel and Phoenix Chinese News and Entertainment Channel were relatively stable. The operating costs of all these channels were reduced marginally, and led to a satisfactory improvement in their performance.

The increase in corporate overheads was mainly attributable to the additional expenditure on promoting the distribution of Phoenix InfoNews Channel such as giving out receivers free of charge.

TELEVISION OPERATIONS

The Group has continued to maintain a high standard of reporting on major developments, including the visit to Hong Kong of Chinese Premier Wen Jiabao, the lead up to the election of Arnold Schwarzenegger as governor of California, and the visit to Europe of President Hu Jintao, who singled out Phoenix reporter Rose Luqiu at a reception to thank her for her reporting on the Iraq war. In order to strengthen further Phoenix coverage of international developments, the Group has been expanding the number of international news bureaus, establishing long-term presences in key centres such as Baghdad.

During the period under review, Phoenix commenced the preliminary stages of the Miss Chinese World Contest, which will climax in early November and identifies Phoenix as one of the most innovative television services broadcasting to the Chinese market. Phoenix was also appointed the official host for the fifty-third Miss World Contest, which this year is being held in China, with the final competition being staged in Sanya, Hainan, in December.

Besides the continuing focus on developing attractive programming and staging high-profile events, the Group is also preparing to reduce from January 2004 the amount of shared programming on the Chinese channel and the InfoNews channel. Apart from the morning and evening news programmes, Phoenix Chinese Channel will not carry any of the other news-related programmes now shown on InfoNews. This step is designed to underscore the different identity and content of the two channels, and thus make it easier to expand the distribution of each channel by removing the sense that receiving one of these channels also gives the viewer access to much of the programming on the other channel.

PROSPECTS

The Group is confident that the expansion of the Phoenix news services, the greater separation in programming between the Chinese Channel and InfoNews, the Group's sponsorship of high-profile events, and in particular the revised arrangements for advertising sales in the mainland market should all contribute to enhancing the Group's financial performance.

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 2003 (the "period"), and the unaudited consolidated balance sheet of the Phoenix Group as at 30 September 2003, together with the comparative figures for the corresponding period and relevant date in 2002.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2003, 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 5.40 to 5.58 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:

(1) Ordinary shares

Name	Personal interest	Family interest	Corporate interest	Other interest	Total number of shares	Percentage of shareholding
LIU, Changle *	–	–	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 is interested in approximately 37.6% of the issued share capital of the Company as at 30 September 2003.

* Being an Executive Director of the Company.

Save as disclosed herein, as at 30 September 2003, 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 5.40 to 5.58 of the GEM Listing Rules, to be 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:

				Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise price per share *HK$*	Balance as at 1 July 2003	Lapsed during the period	Exercised during the period	Balance as at 30 September 2003
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
106 other employees	14 June 2000	14 June 2001 to 13 June 2010	1.08	37,256,000	–	–	37,256,000
Total: 108 employees				46,566,000	–	–	46,566,000

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

No options had 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:

				Number of share options			
Type and number of remaining grantees	**Date of grant**	**Vesting period**	**Exercise price per share**	**Balance as at 1 July 2003**	**Lapsed during the period**	**Exercised during the period**	**Balance as at 30 September 2003**
			HK$				
2 employees	15 February 2001	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	1,700,000
18 employees	10 August 2001	10 August 2002 to 9 August 2011	1.13	12,160,000	–	–	12,160,000
5 employees	20 December 2002	20 December 2003 to 19 December 2012	0.79	2,468,000	–	–	2,468,000
Total: 25 employees				16,328,000	–	–	16,328,000

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

No options had 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 the section headed "Share Option Schemes" of the annual report for the year ended 30 June 2003.

As at 30 September 2003, 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 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 section headed "Share Option Schemes" of the annual report for the year ended 30 June 2003.

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 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 period or at any time during the period.

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

As at 30 September 2003, 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 a subsidiary of The News Corporation Limited ("News Corporation"). The remaining interests in News Publishing Australia Limited, are held by companies which are ultimately owned by News Corporation.

   By virtue of the SFO, News Corporation, 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 1)*	412,000,000	8.4%

Note:

1. 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. By virtue of the SFO, Bank of China Group Investment Limited and Cultural Developments Limited are both 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 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 2003. Accordingly, no additional disclosure is made.

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 8.4% of the share capital of the Company respectively. Today's Asia Limited, together with its shareholders, Mr. LIU, Changle and Mr. CHAN, Wing Kee, 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. 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 30 September 2003. He also owns 80% of Dragon Goodwill International Limited, which has recently 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.

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 6 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. 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 2003.

SUBSEQUENT EVENT

Please refer to Note 13 to the quarterly report for the details of subscription and shareholders' agreement in relation to the development of a building in Shenzhen, the People's Republic of China.

On behalf of the Board
LIU, Changle
Chairman

Hong Kong, 12 November 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

For the three months ended 30 September 2003

	Note	**For the three months ended 30 September 2003 HK$'000**	For the three months ended 30 September 2002 HK$'000 (As restated) (Note 1)
Revenue	2	**152,208**	165,653
Operating expenses	12	**(145,666)**	(160,822)
Selling, general and administrative expenses	12	**(34,469)**	(31,532)
Loss from operations		**(27,927)**	(26,701)
Other income			
Exchange gain, net		**552**	536
Interest income, net		**904**	1,749
Other income, net		**1,128**	3,862
Loss before taxation and minority interests		**(25,343)**	(20,554)
Taxation	3	**(1,159)**	(926)
Loss before minority interests		**(26,502)**	(21,480)
Minority interests		**871**	1,056
Loss attributable to shareholders		**(25,631)**	(20,424)
Accumulated deficit, beginning of period		**(573,605)**	(501,242)
		(599,236)	(521,666)
Dividends	4	**–**	–
Accumulated deficit, end of period		**(599,236)**	(521,666)
Basic loss per share, Hong Kong cents	5	**(0.52)**	(0.41)
Diluted loss per share, Hong Kong cents	5	**N/A**	N/A

CONSOLIDATED BALANCE SHEET – UNAUDITED

As at 30 September 2003

	Note	**As at 30 September 2003 HK$'000**	As at 30 June 2003 HK$'000 (As restated) (Note 1)
Current assets			
Cash and bank balances		**401,819**	428,039
Accounts receivable, net		**30,656**	30,198
Prepayments, deposits and other receivables	6	**267,269**	272,479
Inventories		**10,002**	10,617
Amounts due from related companies	7	**223**	223
Self-produced programmes		**19,370**	21,517
Purchased programme and film rights, current portion	8	**11,266**	13,281
		740,605	776,354
Non-current assets			
Purchased programme and film rights	8	**26,408**	24,049
Fixed assets, net		**67,070**	70,855
Land deposit	9	**57,354**	57,354
Interest in a jointly controlled entity		**472**	–
Deferred tax asset		**2,032**	2,224
Other non-current assets		**2,186**	1,767
		155,522	156,249
Total assets		**896,127**	932,603
Current liabilities			
Accounts payable, other payables and accruals		**90,044**	94,093
Deferred income		**62,125**	67,633
Amounts due to related companies	7	**11,145**	11,887
Profits tax payable		**5,877**	4,726
		169,191	178,339
Non-current liability			
Deferred tax liability		**2,032**	2,224
Total liabilities		**171,223**	180,563
Minority interests		**5,961**	6,832
Capital and reserves			
Share capital	10	**493,173**	493,173
Reserves		**225,770**	252,035
Total shareholders' equity		**718,943**	745,208
Total liabilities and shareholders' equity		**896,127**	932,603

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the three months ended 30 September 2003

	Share capital	Share premium	Exchange reserve	Accumulated deficit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2002, as previously reported	493,173	824,839	–	(501,494)	816,518
Changes in accounting policy – provision for deferred taxation *(Note 1)*	–	–	–	252	252
At 1 July 2002, as restated	493,173	824,839	–	(501,242)	816,770
Loss attributable to shareholders	–	–	–	(20,424)	(20,424)
At 30 September 2002, as restated	493,173	824,839	–	(521,666)	796,346

	Share capital	Share premium	Exchange reserve	Accumulated deficit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 1 July 2003, as previously reported	**493,173**	**824,839**	**801**	**(573,718)**	**745,095**
Changes in accounting policy – provision for deferred taxation *(Note 1)*	**–**	**–**	**–**	**113**	**113**
At 1 July 2003, as restated	**493,173**	**824,839**	**801**	**(573,605)**	**745,208**
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**–**	**–**	**(634)**	**–**	**(634)**
Loss attributable to shareholders	**–**	**–**	**–**	**(25,631)**	**(25,631)**
At 30 September 2003	**493,173**	**824,839**	**167**	**(599,236)**	**718,943**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

For the three months ended 30 September 2003

	For the three months ended 30 September 2003	For the three months ended 30 September 2002
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(22,621)**	(27,674)
Net cash outflow from investing activities	**(3,121)**	(1,087)
Net cash outflow from financing activities	**–**	(3)
Decrease in cash and bank balances	**(25,742)**	(28,764)
Cash and bank balances, beginning of period	**428,039**	451,327
Effect of foreign exchange rate changes	**(478)**	–
Cash and bank balances, end of period	**401,819**	422,563

NOTES TO THE QUARTERLY REPORT – UNAUDITED

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 (revised), "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

This quarterly report should be read in conjunction with the 2002/2003 annual accounts.

The accounting policies and methods 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 2003 except that the Group has changed its accounting policy on income taxes following its adoption of SSAP 12 (revised) "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group's accounting policy and the effect of adopting this new policy is set out below:

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 profit will be available against which the temporary differences can be utilised.

Prior to the adoption of the revised SSAP 12, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Subsequent to the adoption of the revised SSAP 12, opening accumulated deficits at 1 July 2003 and 2002 have been reduced by approximately HK$113,000 and HK$252,000 respectively, which represent the unrecognised deferred tax assets net of unprovided deferred tax liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities as at 30 June 2003 by approximately HK$2,224,000 and HK$2,111,000 respectively.

2. Segmental information

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.

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

	For the three months ended 30 September 2003					
	Television broad-casting *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	**146,780**	**356**	**478**	**4,594**	**–**	**152,208**
Inter-segment sales	**–**	**4,759**	**–**	**–**	**(4,759)**	**–**
Total revenue	**146,780**	**5,115**	**478**	**4,594**	**(4,759)**	**152,208**
Segment results	**2,187**	**(1,495)**	**(1,845)**	**15**	**–**	**(1,138)**
Unallocated expenses *(Note i)*						**(24,205)**
Loss before taxation and minority interests						**(25,343)**
Taxation						**(1,159)**
Loss before minority interests						**(26,502)**
Minority interests						**871**
Loss attributable to shareholders						**(25,631)**

	For the three months ended 30 September 2002					
	Television broad-casting *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	160,331	169	302	4,851	–	165,653
Inter-segment sales	–	2,012	–	–	(2,012)	–
Total revenue	160,331	2,181	302	4,851	(2,012)	165,653
Segment results	3,412	(2,331)	(2,265)	(578)	–	(1,762)
Unallocated expenses *(Note i)*						(18,792)
Loss before taxation and minority interests						(20,554)
Taxation						(926)
Loss before minority interests						(21,480)
Minority interests						1,056
Loss attributable to shareholders						(20,424)

Note:

(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

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

	Three months ended 30 September	
	2003	2002
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax *(Note i)*	**1,150**	877
– Overseas taxes *(Note ii)*	**9**	49
Deferred taxation *(Notes i & iii)*	**–**	–
	1,159	926

Notes:

(i) Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

(ii) Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

(iii) As at 30 September 2003, 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 2003 (three months ended 30 September 2002: 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 2003 of HK$25,631,416 (three months ended 30 September 2002: HK$20,423,556) and the 4,931,730,000 (2002: 4,931,730,000) weighted average number of ordinary shares outstanding during the three months ended 30 September 2003.

No diluted loss per share has been presented as the exercise of the Company's outstanding share options would have anti-dilutive effect on loss per share during the three months ended 30 September 2003 and 2002.

6. **Prepayments, deposits and other receivables**

Included in prepayments, deposits and other receivables is an amount of approximately HK$240,126,000 (as at 30 June 2003: HK$252,338,000) owing from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou") in the People's Republic of China (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 Phoenix 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 however, is relatively new and detailed implementation rules are not yet available, therefore the extent of the enforceability of the trust arrangement with Shenzhou is unclear at present. 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.

7. **Amounts due from/to related companies**

The outstanding balances with related companies are unsecured, non-interest bearing and have no fixed repayment terms.

8. **Purchased programme and film rights**

	Three months ended 30 September 2003 *HK$'000*	Twelve months ended 30 June 2003 *HK$'000* (Audited)
Balance, beginning of period/year	**37,330**	42,584
Additions	**9,211**	39,835
Amortisation	**(8,424)**	(43,275)
Disposals and others	**(443)**	(1,814)
Balance, end of period/year	**37,674**	37,330
Less: Purchased programme and film rights – current portion	**(11,266)**	(13,281)
	26,408	24,049

9. **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 PRC for the development of a building (which includes a production centre) for the Phoenix Group. The total consideration for the acquisition is approximately HK$57,354,000.

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)* as the cost of the land acquisition. As at 30 September 2003, the Phoenix Group was in the process of obtaining the land use right.

* *name translated for reference only*

10. Share capital

	Three months ended 30 September 2003 Number of shares	Three months ended 30 September 2003 Amount *HK$'000*	Twelve months ended 30 June 2003 Number of shares	Twelve months ended 30 June 2003 Amount *HK$'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**	4,931,730,000	493,173
Exercise of share options	**–**	**–**	–	–
End of period/year	**4,931,730,000**	**493,173**	4,931,730,000	493,173

11. Commitments – Programme and film rights acquisition

As at 30 September 2003, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$116,449,000 (as at 30 June 2003: HK$122,565,000) of which approximately HK$109,042,000 (as at 30 June 2003: HK$114,596,000) was in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited ("STAR Filmed") extending to 27 August 2008 and approximately HK$7,407,000 (as at 30 June 2003: HK$7,969,000) was in respect of programme acquisition agreements with other programme suppliers. Total programme and film rights related commitments are analysed as follows:

	As at 30 September 2003 ***HK$'000***	As at 30 June 2003 *HK$'000* (Audited)
Not later than one year	**26,007**	25,754
Later than one year and not later than five years	**90,442**	93,293
Later than five years	**–**	3,518
	116,449	122,565

12. Significant related party transactions

Parties are considered to be related to the Phoenix Group if the Phoenix 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 Phoenix Group and the parties are subject to common significant influence. Related parties may be individuals or entities.

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

		Three months ended 30 September	
	Notes	**2003** **HK$'000**	2002 HK$'000
Office premises rental paid/payable to Satellite Television Asian Region Limited ("STARL")	a, b	**–**	257
Service charges paid/payable to STARL	a, c	**8,746**	23,932
Commission for advertising sales and marketing services paid/payable to STARL	a, d	**634**	1,458
Commission for international subscription sales and marketing services paid/payable to STARL	a, e	**698**	564
Sales of decoder devices to STARL	a, f	**24**	–
Film licence fees paid/payable to STAR Filmed	a, g	**5,101**	5,101
Purchases of broadcast operations and engineering equipment from STARL	a, h	**1,442**	–
Programme licence fees paid/payable to ATV Enterprises Limited ("ATVE")	i, j	**2,250**	10,213
Sale of a motor vehicle to ATVE	i, k	**–**	323
Service charges paid/payable to Asia Television Limited ("ATV")	i, l	**134**	51
Service charges received/receivable from ATV	i, m	**327**	–
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	n, o	**1,038**	1,023
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	p, q	**1,284**	729

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) STARL, STAR Filmed 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) Office premises rental paid/payable to STARL was determined by reference to the area of space occupied by the Phoenix Group and was proportional to the rental payable by STARL in respect of the area occupied by it under its lease with the landlord. STARL subsequently surrendered the area occupied by the Phoenix Group to the landlord.

Pursuant to a tenancy agreement dated 6 February 2003 between the Group and such landlord, the landlord rented to the Phoenix Group directly the office space for a term of four years commencing from 15 July 2002. Consequently, no rental is payable to STARL commencing from 15 July 2002.

(c) Service charges paid/payable to STARL covering a wide range of technical services provided to the Phoenix Group which are based on the terms of the service agreement dated 29 May 2003. The summary of the terms of the service agreement are 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.

(d) The commission for advertising sales and marketing services paid/payable to STARL is based on 15% (2002: 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 STARL is based on 15% (2002: 15%) of the subscription fees generated and received by it on behalf of the Phoenix Group.

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

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

(h) Purchases of broadcast operations and engineering equipment from STARL are based on terms mutually agreed upon between both parties.

(i) 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 own approximately 46% of ATV as at 30 September 2003. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited and 80% of Dragon Goodwill International Limited, which holds 16.25% and 32.75% interests in ATV as at 30 September 2003 respectively.

(j) 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 schedules to 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.

(k) Sale of a motor vehicle to ATVE is based on terms mutually agreed upon between both parties.

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

(m) 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.

(n) Fox is an associate of Xing Kong Chuan Mei Group Co., Ltd.

(o) 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.

(p) BSkyB is 36.3% owned by The News Corporation Limited which indirectly owns 100% of Xing Kong Chuan Mei Group Co., Ltd.

(q) 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.

13. Subsequent event

Phoenix Real Properties Limited ("Real Properties") is a wholly owned subsidiary of the Phoenix Group which owns 90% interest in a sino-foreign co-operative joint venture company in the PRC. Such joint venture has 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 PRC for the development of a building, including a production center for the Phoenix Group. As at 30th September 2003, the total consideration for the acquisition has been paid.

In October 2003, the Phoenix Group has entered into an agreement with Oasiscity Limited, a wholly owned subsidiary of Neo-Tech Global Limited, the shares of which are listed on the Main Board of the Stock Exchange. Pursuant to the agreement, Oasiscity Limited shall, inter alia, acquire 60% interest in Real Properties and shall be responsible for providing all required financing for the development and in return it will be entitled to all the saleable floor area and a portion of non-saleable floor area of the building. The Phoenix Group shall not be required to provide any further financing for the development of the building and shall be entitled to a portion of the non-saleable area with a value of, in the Directors' opinion, not less than the cost of the acquisition of the land use right of approximately HK$57,354,000 and within which the production center will be located. However, the Group expects to incur substantial expenses for the acquisition and installation of equipment for the production center to be funded by some of the advertising revenue collected and retained by Shenzhou (see Note 6). It is expected that construction of the building will be completed in year 2006.

Pursuant further to the agreement, Oasiscity Limited shall initially provide a shareholder's loan of RMB30,000,000 and may increase its shareholding interests in Real Properties upon providing further financing for the development of the building and fulfilling certain other terms and conditions in the future as provided in the agreement. However, the change of Oasiscity Limited's shareholding in Real Properties will not affect the Phoenix Group's entitlement in the building.

* *name translated for reference only*