Phoenix Satellite Television Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2004

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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.

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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.

FINANCIAL SUMMARY

- The Group made a profit of approximately HK$40,475,000 during the three months ending 31 March 2004, a dramatic turn-around when compared with a loss of HK$20,809,000 in the same period last year.

- Revenue for the period increased to approximately HK$284,578,000, which represented a rise of 64.1% over the same period last year. Advertising revenue went up by 81.4%.

- The performance of InfoNews was especially noteworthy, with revenue increasing almost 18-fold as against the same period last year.

- The earnings per share were recorded at HK cents 0.82, compared with a loss of HK cents 0.42 in the same period last year.

Phoenix introduced a new advertising sales arrangement for selling to mainland customers at the beginning of this quarter, and as foreshadowed in our last company report, the resulting surge in revenue has enabled Phoenix to generate a profit after three years of loss-making. The most encouraging aspect of this turn-around has been the performance of InfoNews, the revenue of which increased from approximately HK$2,504,000 in the same period last year to approximately HK$44,757,000 this quarter, an almost eighteen fold increase.

FINANCIAL REVIEW

Revenue of the Group for the three months ended 31 March 2004 reached a record high of approximately HK$284,578,000. It represented an encouraging increase of approximately HK$111,174,000 or 64.1%, over the same period last year. Advertising revenue, which represented 94.3% of the Group's total revenue, increased by approximately HK$120,431,000, or 81.4%. This increase was mainly attributable to the success of the newly implemented multiple agencies model in advertising sales.

Operating costs increased by 24.1% to approximately HK$246,629,000 as compared with the same period last year. As the Group has a relatively stable cost structure, the increase in costs was mainly due to the increase of commission expenses incurred by the rise in advertising revenue. The Group's profit from operations and profit attributable to shareholders for the three months ended 31 March 2004 were approximately HK$37,949,000 and HK$40,475,000 respectively. As compared to a loss from operations of approximately HK$25,380,000 and a loss attributable to shareholders of approximately HK$20,809,000 in the same period last year, there were significant improvements of approximately HK$63,329,000 and HK$61,284,000 respectively.

The Group's results for this quarter and the same period last year respectively are summarized below:

	Three months ended 31 March	
	2004	2003
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**222,732**	145,469
Phoenix InfoNews Channel	**44,757**	2,504
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**11,590**	19,668
Other businesses	**5,499**	5,763
Group's total revenue	**284,578**	173,404
Operating costs	**(246,629)**	(198,784)
Profit/(Loss) from operations	**37,949**	(25,380)
Profit/(Loss) attributable to shareholders	**40,475**	(20,809)
Earnings/(Loss) per share, Hong Kong cents	**0.82**	(0.42)

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

	Three months ended 31 March	
	2004	2003
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**86,720**	40,715
Phoenix InfoNews Channel	**(1,701)**	(29,954)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(13,539)**	(8,841)
Other businesses	**(2,116)**	(3,900)
Corporate overheads	**(31,415)**	(23,400)
Profit/(Loss) from operations	**37,949**	(25,380)

Phoenix Chinese Channel remained by far the most important source of revenue for the Group, accounting for 78.3% of the Group's total revenue. It's revenue increased by 53.1% as compared to the same period last year, and its operating profit doubled to approximately HK$86,720,000. The performance of Phoenix InfoNews Channel displayed a significant improvement. Revenue jumped to approximately HK$44,757,000 as compared to approximately HK$2,504,000 in the same period last year. Operating loss was thereby decreased substantially to approximately HK$1,701,000, or by 94.3%.

Results of both Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel showed gradual improvement. However, subscription revenue of Phoenix Movies Channel decreased in this quarter, mainly due to the termination of the minimum guarantee arrangement with an agent in the PRC, and led to a rise of operating loss.

The increase in corporate overheads was mainly attributable to the additional expenditure on promotional events and marketing activities.

BUSINESS OVERVIEW

Phoenix Chinese Channel, which continues to constitute the main element of the Group's business, has maintained its status as one of the most innovative and popular television channels available to the Chinese audience. This has been achieved by striving to produce or acquire new entertainment and informative programmes that cater to the tastes of the Chinese-speaking audience in Mainland China and beyond.

Phoenix has also remained the leading broadcaster of international news in the Chinese market. Phoenix has consistently followed major world developments, including the political violence in Iraq, the Taiwan elections, the North Korean nuclear problem, and the evolution of China/United States relations. InfoNews has had major carriage of the task of reporting news and economic information, and its rapidly increasing income reflects its unique status in the Chinese market.

Phoenix celebrated its eighth anniversary in March this year, and utilized this occasion as an opportunity to enhance the awareness of its brand name. Phoenix held a major celebration on the theme of "Dedicate My Dream To You" in Beijing as the capital of Phoenix's largest market, and also mounted an elaborate event in Malaysia – "The Night of Kuala Lumpur" – to recognize the support Phoenix has received from overseas Chinese audiences, the largest of which is in Malaysia. These events attracted considerable publicity, and reflected Phoenix's ceaseless pursuit of ways to consolidate its brand name and expand its audience.

PROSPECTS

This quarter's results confirm that the interpretation of Phoenix's performance set out in past reports was well-based, with the prediction of a profit sometime in 2004 as a consequence of the new advertising sales arrangement being borne out by reality. These results also demonstrate that Phoenix is pursuing a highly effective strategy, combining innovative and creative programming with a flexible approach to the sale of advertising. The performance of InfoNews was especially encouraging. While the high-cost nature of InfoNews means that it currently still makes a loss, the dramatic rise in income in this quarter demonstrates that it will probably pass the break-even mark in the near future.

The factors that led to the dramatic turn around in Phoenix's performance, namely the popularity of Phoenix programming and the effectiveness of the new advertising marketing system, should continue to enhance Phoenix's performance over the remainder of the current financial year and beyond. Despite talk of overheating, the Chinese economy remains extremely buoyant. Many of our advertising clients are in the consumer product industry and should thus remain unaffected by the potential economic slow down which could be suffered by commodity and raw material related companies and should continue to be the source of a steady stream of advertising contracts. At the same time Phoenix has continued to expand its influence among the overseas Chinese with a particular emphasis in the South East Asia region. The management is consequently extremely confident that Phoenix will continue to make a profit for the foreseeable future.

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 31 March 2004 (the "period"), and the unaudited consolidated balance sheet of the Phoenix Group as at 31 March 2004, together with the comparative figures for the corresponding period and relevant date in 2003.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 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 5.40 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 31 March 2004.

* Being an Executive Director of the Company.

Save as disclosed herein, as at 31 March 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 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

(A) Share option 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 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 January 2004	Lapsed during the period	Exercised during the period	Balance as at 31 March 2004
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
101 other employees	14 June 2000	14 June 2001 to 13 June 2010	1.08	36,618,000	(80,000)	(1,930,000)	34,608,000
Total:							
103 employees				45,928,000	(80,000)	(1,930,000)	43,918,000

During the three months ended 31 March 2004, 80,000 options granted to an employee lapsed when he ceased his employment with the Phoenix Group.

During the three months ended 31 March 2004, 1,930,000 options granted to 31 employees were exercised.

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

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 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** *HK$*	**Balance as at 1 January 2004**	**Lapsed during the period**	**Exercised during the period**	**Balance as at 31 March 2004**
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	–	(120,000)	12,040,000
5 employees	20 December 2002	20 December 2003 to 19 December 2012	0.79	2,468,000	–	(166,000)	2,302,000
Total:							
25 employees				16,328,000	–	(286,000)	16,042,000

During the three months ended 31 March 2004, 286,000 options granted to 3 employees were exercised.

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

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.

(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 report for the six months ended 31 December 2003.

As at 31 March 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 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 report for the six months ended 31 December 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 31 March 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 The News Corporation Limited ("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 since 1 July 2002. 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 31 March 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.

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 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 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 31 March 2004.

On behalf of the Board
LIU, Changle
Chairman

Hong Kong, 12 May 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT – UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2004

	Note	**For the three months ended 31 March 2004**	For the three months ended 31 March 2003
		HK$'000	*HK$'000*
Revenue	2	**284,578**	173,404
Operating expenses	13	**(205,622)**	(163,818)
Selling, general and administrative expenses	13	**(41,007)**	(34,966)
Profit/(loss) from operations		**37,949**	(25,380)
Other income			
Exchange gain, net		**802**	678
Interest income, net		**1,140**	1,076
Other income, net		**3,354**	3,007
Profit/(loss) before taxation and minority interests		**43,245**	(20,619)
Taxation	3	**(2,421)**	(854)
Profit/(loss) before minority interests		**40,824**	(21,473)
Minority interests		**(349)**	664
Profit/(loss) attributable to shareholders		**40,475**	(20,809)
Accumulated deficit, beginning of period		**(612,471)**	(539,534)
		(571,996)	(560,343)
Dividends	4	**–**	–
Accumulated deficit, end of period		**(571,996)**	(560,343)
Basic earnings/(loss) per share, Hong Kong cents	5	**0.82**	(0.42)
Diluted earnings/(loss) per share, Hong Kong cents	5	**0.82**	N/A

CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 31 MARCH 2004

	Note	As at 31 March 2004 HK$'000	As at 31 December 2003 HK$'000 (Audited)
Current assets			
Cash and bank balances		**426,163**	388,869
Accounts receivable, net		**42,453**	32,438
Prepayments, deposits and other receivables	6	**288,425**	277,651
Inventories		**8,618**	9,187
Amounts due from related companies	7	**340**	223
Self-produced programmes		**14,282**	11,337
Purchased programme and film rights, current portion	8	**8,554**	9,259
		788,835	728,964
Non-current assets			
Purchased programme and film rights	8	**25,560**	24,133
Fixed assets, net		**59,699**	62,607
Land deposit and development costs	9	**61,120**	61,120
Interest in a jointly controlled entity		**472**	472
Other investment	10	**29,986**	–
Deferred tax assets		**313**	743
		177,150	149,075
Total assets		**965,985**	878,039
Current liabilities			
Accounts payable, other payables and accruals		**110,112**	96,432
Deferred income		**80,312**	52,420
Amounts due to related companies	7	**10,056**	9,982
Profits tax payable		**8,345**	5,939
		208,825	164,773
Non-current liability			
Deferred tax liabilities		**313**	743
Total liabilities		**209,138**	165,516
Minority interests		**6,452**	6,103
Capital and reserves			
Share capital	11	**493,395**	493,173
Reserves		**257,000**	213,247
Total shareholders' equity		**750,395**	706,420
Total liabilities and shareholders' equity		**965,985**	878,039

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2004

	Share capital	Share premium	Exchange reserve	Accumulated deficit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2003 (unaudited)	493,173	824,839	–	(539,534)	778,478
Loss attributable to shareholders	–	–	–	(20,809)	(20,809)
At 31 March 2003	493,173	824,839	–	(560,343)	757,669

	Share capital	Share premium	Exchange reserve	Accumulated deficit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 1 January 2004	**493,173**	**824,839**	**879**	**(612,471)**	**706,420**
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**–**	**–**	**1,148**	**–**	**1,148**
Exercise of share options	**222**	**2,130**	**–**	**–**	**2,352**
Profit attributable to shareholders	**–**	**–**	**–**	**40,475**	**40,475**
At 31 March 2004	**493,395**	**826,969**	**2,027**	**(571,996)**	**750,395**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2004

	For the three months ended 31 March 2004	For the three months ended 31 March 2003
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**66,774**	16,196
Net cash outflow from investing activities	**(32,593)**	(4,771)
Net cash inflow/(outflow) from financing activities	**2,352**	(2)
Increase in cash and bank balances	**36,533**	11,423
Cash and bank balances, beginning of period	**388,869**	424,815
Effect of foreign exchange rate changes	**761**	–
Cash and bank balances, end of period	**426,163**	436,238

NOTES TO THE QUARTERLY REPORT – UNAUDITED

1. Basis of preparation and accounting policies

The Group has changed its financial year end from 30 June to 31 December. Accordingly, these financial statements are presented for the three months ended 31 March 2004 with comparative figures covering the three months ended 31 March 2003.

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 accounts for the six months ended 31 December 2003.

The accounting policies and methods of computation used in the preparation of this quarterly report are consistent with those used in the accounts for the six months ended 31 December 2003 except that the Group has applied SSAP 24 "Accounting for investment in Securities" issued by the HKSA after the acquisition of an investment in security during the current period.

The accounting policy in relation to the investment is set out as follows:

Other investment is carried at fair value. At each balance sheet date, the net unrealised gain or loss arising from the change in fair value of other investment is recognised in the profit and loss account. Profit or loss on disposal of other investment, representing the difference between the net sales proceed and the carrying amount, is recognised in the profit and loss account.

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 31 March 2004					
	Television broad-casting	**Programme production and ancillary services**	**Internet services**	**Other activities**	**Inter-segment elimination**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue						
External sales	**279,079**	**763**	**427**	**4,309**	**–**	**284,578**
Inter-segment sales	**–**	**5,594**	**–**	**–**	**(5,594)**	**–**
Total revenue	**279,079**	**6,357**	**427**	**4,309**	**(5,594)**	**284,578**
Segment results	**73,987**	**969**	**(2,453)**	**(264)**	**–**	**72,239**
Unallocated expenses *(Note i)*						**(28,994)**
Profit before taxation and minority interests						**43,245**
Taxation						**(2,421)**
Profit before minority interests						**40,824**
Minority interests						**(349)**
Profit attributable to shareholders						**40,475**

	For the three months ended 31 March 2003					
	Television broad-casting	Programme production and ancillary services	Internet services	Other activities	Inter-segment elimination	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	167,641	707	318	4,738	–	173,404
Inter-segment sales	–	4,014	–	–	(4,014)	–
Total revenue	167,641	4,721	318	4,738	(4,014)	173,404
Segment results	5,329	(1,043)	(2,576)	(257)	–	1,453
Unallocated expenses *(Note i)*						(22,072)
Loss before taxation and minority interests						(20,619)
Taxation						(854)
Loss before minority interests						(21,473)
Minority interests						664
Loss attributable to shareholders						(20,809)

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

Hong Kong profits tax has been provided at the rate of 17.5% (three months ended 31 March 2003: 16%) on the estimated assessable profit for the period. 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.

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

	Three months ended 31 March	
	2004	2003
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**2,406**	854
– Overseas taxes	**15**	–
Deferred taxation	**–**	–
	2,421	854

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

	Three months ended 31 March	
	2004	2003
	HK$'000	*HK$'000*
Profit/(loss) before taxation and minority interests	**43,245**	(20,619)
Calculated at a taxation rate of 17.5% (three months ended 31 March 2003: 16%)	**7,568**	(3,299)
Income not subject to taxation	**(2,457)**	(3,519)
Expenses not deductible for taxation purposes	**4,953**	3,999
Tax losses not recognized	**1,602**	3,673
Utilisation of previously unrecognized tax losses	**(9,260)**	–
Provision for overseas operations	**15**	–
Taxation charge	**2,421**	854

4. Interim dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004 (three months ended 31 March 2003: nil).

5. Earnings/(loss) per share

The calculation of earnings/(loss) per share and diluted earnings per share are based on unaudited consolidated profit attributable to shareholders for the three months ended 31 March 2004 of HK$40,474,658 (three months ended 31 March 2003: loss of HK$20,809,421).

Earnings/(loss) per share is based on the 4,932,552,549 (three months ended 31 March 2003: 4,931,730,000) weighted average number of ordinary shares outstanding during the three months ended 31 March 2004.

Diluted earnings per share is based on the 4,944,172,661 ordinary shares which is the weighted average number of ordinary shares in issue during the three months ended 31 March 2004 plus the weighted average number of 11,620,112 ordinary shares deemed to be issued at no consideration if all outstanding options have been exercised. No diluted loss per share for the comparative period is presented as the exercise of the Company's outstanding share options would have an anti-dilutive effect on loss per share during the three months ended 31 March 2003.

6. Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables is an amount of approximately HK$262,243,000 (as at 31 December 2003: HK$252,606,000) 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 31 March 2004	Six months ended 31 December 2003
	HK$'000	*HK$'000* (Audited)
Balance, beginning of period	**33,392**	37,330
Additions	**6,744**	12,212
Amortisation	**(5,936)**	(15,664)
Disposals and others	**(86)**	(486)
Balance, end of period	**34,114**	33,392
Less: Purchased programme and film rights – current portion	**(8,554)**	(9,259)
	25,560	24,133

9. Land 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 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.

During the year ended 30 June 2002, the subsidiary transferred the interest of 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"), a wholly-owned subsidiary of the Phoenix Group has a 90% equity interest.

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 acquisition, and was recorded as a land deposit of Phoenix Group as at 30 June 2003. The increase in value to HK$61,120,000 as at 31 December 2003 represents other relevant costs in connection with the development of the building.

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 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.

Upon the completion of the development of the building, it is expected that the Group's entitlement to the relevant portion of the non-saleable area will have a value of not less than current carrying value of approximately HK$61,120,000.

[1] *name translated for reference only*

10. Other investment

During the period, the Company invested in an unlisted security investment with an estimated fair value of approximately HK$29,986,000.

11. Share capital

	Three months ended 31 March 2004		Six months ended 31 December 2003	
	Number of shares	**Amount**	Number of shares	Amount
		HK$'000		HK$'000 (Audited)
Authorised:				
Ordinary share of HK$0.1 each	**10,000,000,000**	**1,000,000**	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of period	**4,931,730,000**	**493,173**	4,931,730,000	493,173
Exercise of share options	**2,216,000**	**222**	–	–
End of period	**4,933,946,000**	**493,395**	4,931,730,000	493,173

12. Commitments – Programme and film rights acquisition

As at 31 March 2004, the Group had aggregate outstanding programme and film rights related commitments of approximately HK$89,929,000 (as at 31 December 2003: HK$97,302,000) of which approximately HK$89,598,000 (as at 31 December 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 and approximately HK$331,000 (as at 31 December 2003: HK$2,865,000) was in respect of programme acquisition agreements with other programme suppliers. Total programme and film rights related commitments are analysed as follows:

	As at 31 March 2004	As at 31 December 2003
	HK$'000	*HK$'000* (Audited)
Not later than one year	**20,667**	23,148
Later than one year and not later than five years	**69,262**	74,154
Later than five years	**–**	–
	89,929	97,302

13. 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 31 March	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
Service charges paid/payable to Satellite Television Asian Region Limited ("STARL")	a, b	**13,127**	20,258
Commission for advertising sales and marketing services paid/payable to STARL	a, c	**260**	1,252
Commission for international subscription sales and marketing services paid/payable to STARL	a, d	**696**	588
Sales of decoder devices to STARL	a, e	**29**	137
Film licence fees paid/payable to STAR Filmed	a, f	**5,063**	5,100
Programme licence fees to SGL Entertainment Limited ("SGL Entertainment")	a, g	**147**	–
Programme licence fees paid/payable to ATV Enterprises Limited ("ATVE")	h, i	**–**	477
Service charges paid/payable to Asia Television Limited ("ATV")	h, j	**32**	41
Service charges received/receivable from ATV	h, k	**324**	–
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	l, m	**1,031**	1,023
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	n, o	**1,240**	1,169
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	p, q	**403**	–

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, 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 Phoenix Group 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 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% (three months ended 31 March 2003: 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.

(d) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (three months ended 31 March 2003: 15%) of the subscription fees generated and received by it on behalf of the Phoenix 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) Programme license fees to SGL Entertainment are charged based on terms specified in a license 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 own approximately 46% of ATV as at 31 March 2004. Mr. CHAN, Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 March 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 Phoenix 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.

(m) 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.

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

(o) 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.

(p) DIRECTV is an associate of The News Corporation Limited 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.