PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code 8002

First Quarterly Report
2006

Phoenix Satellite Television Holdings Limited

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

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

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

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

FINANCIAL SUMMARY

- Revenue for the period was approximately HK$254,333,000, which represented a 1.6% decrease over the same period last year.
- While overall revenue was down slightly, advertising revenue increased by approximately 2.2%.
- The profit attributable to equity holders was approximately HK$42,212,000, which represented a marginal increase of 2.8% as compared to the same period last year.

FINANCIAL REVIEW

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

	Three months ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**177,851**	195,526
Phoenix InfoNews Channel	**53,638**	31,542
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**15,086**	13,803
Other businesses	**7,758**	17,578
Group's total revenue	**254,333**	258,449
Operating costs	**(213,706)**	(217,811)
Profit from operations	**40,627**	40,638
Profit attributable to equity holders of the Company	**42,212**	41,055
Earnings per share, *Hong Kong cents*	**0.85**	0.83

Revenue of the Group for the three months ended 31 March 2006 amounted to approximately HK$254,333,000. This represented a decrease of 1.6% over the same period last year. The slight decrease of the Group's revenue was mainly attributable to the decrease in the low-profit-margin income derived from handling the sale of satellite receivers and decoders by Phoenix's US-based arm from approximately HK$9,800,000 to approximately HK$2,600,000 comparing with the same period last year. Advertising revenue, which represented 93.0% of the Group's total revenue, in fact increased by approximately 2.2%.

Total operating costs remained at a steady level, with a marginal decrease of 1.9% as compared with the same period last year, and amounted to approximately HK$213,706,000. The major fluctuation in the operating costs was the increase of programming costs, but this was offset by the reduction of doubtful debt provision.

The Group's operating profit for the three months ended 31 March 2006 was approximately HK$40,627,000, which was similar to the same period last year amounting to approximately HK$40,638,000. Profit attributable to equity holders of the Company was approximately HK$42,212,000, which represented a slight increase of 2.8% as compared with the same period last year.

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

	Three months ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**85,887**	96,185
Phoenix InfoNews Channel	**8,228**	(10,181)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(16,604)**	(20,447)
Other businesses	**(4,478)**	(492)
Corporate overheads	**(32,406)**	(24,427)*
Profit from operations	**40,627**	40,638

* Corporate overheads in 2005 included a non-recurring write back of an over-provision which amounted to approximately HK$8 million.

Phoenix Chinese Channel, which continues to constitute the main element of the Group's business, accounted for 69.9% of the Group's total revenue. The Chinese Channel's revenue decreased by 9.0% as compared to the same period last year, and its operating profit decreased to approximately HK$85,887,000, or by 10.7%.

On the other hand, the revenue of Phoenix InfoNews Channel increased by 70.1% to approximately HK$53,638,000, and generated an operating profit for the period of approximately HK$8,228,000, after a loss of approximately HK$10,181,000 in the same period last year.

The increase in InfoNews revenue appears to have been mainly brought about by a number of advertisers moving from Phoenix Chinese Channel to InfoNews. In part this is probably a consequence of efforts of the advertising sales team acting for Phoenix which had encouraged advertisers to place advertisements both on InfoNews as well as on the Chinese Channel. A further factor could be InfoNews' greater public profile in the mainland market, which could also be leading some advertisers to test the effectiveness of InfoNews as an advertising platform. Phoenix's sales team will continue the strategy of encouraging dual placement of advertising on both channels and the management will review its effectiveness from time to time.

The cumulative revenue of Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel, increased to approximately HK$15,086,000, or by 9.3%. Operating loss hence decreased to approximately HK$16,604,000.

For other businesses, decrease in revenues was mainly attributable to the decrease of handling income from a non-core activity as mentioned before. Performance of both the magazine and Internet businesses was relatively stable for the three months ended 31 March 2006 as compared with the same period last year.

BUSINESS OVERVIEW AND PROSPECTS

The Phoenix Group's basic television business continued to perform well. The Phoenix Chinese Channel, which is still the core element of the Group's business, has maintained its position 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, providing the audience with a balanced diet of entertainment and information.

Phoenix InfoNews continues to be the outstanding broadcaster of international news in the Chinese market. During this period InfoNews covered, among other topics, political developments in Israel after Prime Minister Sharon fell ill, Kim Jong-il's unpublicized visit to China, the Iranian nuclear issue, and elections in Israel, Palestine, Canada, the Ukraine, and Byelorussia. InfoNews has had major carriage of the task of reporting news and economic information, and it continues to make a major contribution to the Phoenix brand name, underscoring Phoenix's reputation for a global outlook and live-coverage information.

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

The Chinese economy remains buoyant, and the management is confident that it will continue to be the source of a steady stream of advertising revenue, thus ensuring that Phoenix will continue to have a solid commercial foundation.

The directors (the "Directors") of Phoenix Satellite Television Holdings Limited (the "Company") have the pleasure of presenting the unaudited condensed consolidated income statement, condensed consolidated cash flow statement and consolidated statement of changes in equity of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2006 (the "period"), and the unaudited condensed consolidated balance sheet of the Group as at 31 March 2006, together with the comparative figures for the corresponding period and relevant date in 2005.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2006, the interests of the Directors and chief executives of the Company in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by Directors, were as follows:

(1) Long positions in the ordinary shares of the Company

	Number of ordinary shares held					
Name	Personal interests	Family interests	Corporate interests	Other interests	Total number of shares	Percentage of shareholding
LIU Changle[1]	–	–	1,854,000,000	–	1,854,000,000	37.54%
LO Ka Shui[2]	3,200,000	–	–	–	3,200,000	0.06%

Note: Mr. LIU Changle is the beneficial owner of approximately 93.3% of the issued share capital of Today's Asia Limited, which in turn has an interest in approximately 37.54% of the issued share capital of the Company as at 31 March 2006.

[1] Being an executive Director of the Company

[2] Being an independent non-executive Director of the Company

Save as disclosed herein, as at 31 March 2006, none of the Directors or chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEMES

(A) Share option schemes of the Company

On 7 June 2000, two share option schemes of the Company were approved by the shareholders of the Company ("Shareholders"), namely Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. In order to enhance the flexibility in the implementation of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, the committee of two and four Directors established for the administration of each 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 10 December 2004 and the Post-IPO Share Option Scheme on 14 February 2001, 6 August 2002 and 10 December 2004, respectively.

(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 Group to acquire shares were as follows:

Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per share *HK$*	Number of share options: Balance as at 1 January 2006	Lapsed during the period	Exercised during the period	Balance as at 31 March 2006
2 Executive Directors:								
LIU Changle	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	5,320,000	–	–	5,320,000
CHUI Keung	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	3,990,000	–	–	3,990,000
78 other employees	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	31,048,000	(1,064,000)	(320,000)	29,664,000
Total: 80 employees					40,358,000	(1,064,000)	(320,000)	38,974,000

During the three months ended 31 March 2006, 320,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.49.

During the three months ended 31 March 2006, 1,064,000 options granted to an employee lapsed when he ceased his employment with the Group.

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

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) Post-IPO Share Option Scheme

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

					Number of share options			
Type and number of remaining grantees	Date of grant	Vesting period	Exercise period	Exercise price per share *HK$*	Balance as at 1 January 2006	Lapsed during the period	Exercised during the period	Balance as at 31 March 2006
2 employees	15 February 2001	15 February 2001 to 14 February 2005	15 February 2002 to 14 February 2011	1.99	1,700,000	–	–	1,700,000
17 employees	10 August 2001	10 August 2001 to 9 August 2005	10 August 2002 to 9 August 2011	1.13	10,588,000	–	(146,000)	10,442,000
4 employees	20 December 2002	20 December 2002 to 19 December 2006	20 December 2003 to 19 December 2012	0.79	1,732,000	–	(180,000)	1,552,000
Total: 23 employees					14,020,000	–	(326,000)	13,694,000

During the three months ended 31 March 2006, 326,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.33.

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 Post-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 Post-IPO 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 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 of the Company for the year ended 31 December 2005.

For the three months ended 31 March 2006, no option had been granted under the PHOENIXi Plan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option schemes approved by the Shareholders on 7 June 2000, the Committee may, at their discretion, invite any employee of the Company or any of the Group companies, including any executive directors, to take up options to subscribe for shares. The maximum number of shares in respect of which options may be granted under the share option schemes must not exceed 10% of the issued share capital of the Company. The terms of the Pre-IPO Share Option Scheme were amended on 14 February 2001 and 10 December 2004 and the terms of the Post-IPO Share Option Scheme were amended on 14 February 2001, 6 August 2002 and 10 December 2004, respectively. A summary of the amended Share Option Schemes is set out in the section headed "Share Option Schemes" of the annual report of the Company for the year ended 31 December 2005.

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries, its fellow subsidiaries or its parent company 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 2006, 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 or entered in the register kept by the Company pursuant to Section 352 of the SFO, were as follows:

(i) Long positions of substantial shareholders in the ordinary shares of the Company

Name of substantial shareholders	**Number of shares**	**Percentage of shareholding**
Xing Kong Chuan Mei Group Co., Ltd. *(Note 1)*	1,854,000,000	37.54%
Today's Asia Limited *(Note 2)*	1,854,000,000	37.54%

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 LLC Australia Pty Limited, which in turn is a wholly-owned subsidiary of New STAR US Holdings Subsidiary, LLC. New STAR US Holdings Subsidiary, LLC 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 is an indirect wholly-owned subsidiary of News Corporation.

   By virtue of the SFO, News Corporation, News Publishing Australia Limited, STAR US Holdings, Inc., STAR US Holdings Subsidiary, LLC, New STAR US Holdings Subsidiary, LLC, STAR LLC Australia Pty Limited, 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) Long position of other person in the ordinary shares of the Company

Name of other person who has more than 5% interest	Number of shares	Percentage of shareholding
China Wise International Limited *(Note)*	412,000,000	8.34%

Note: China Wise International Limited is a wholly-owned subsidiary of Cultural Developments Limited, which in turn is a wholly-owned subsidiary of Bank of China Group Investment Limited. Bank of China Group Investment Limited is a wholly-owned subsidiary of Bank of China Limited, which in turn is a subsidiary of Central SAFE Investments Limited. By virtue of the SFO, Central SAFE Investments Limited, Bank of China Limited, Bank of China Group Investment Limited and Cultural Developments Limited are all deemed to be interested in the 412,000,000 shares held by China Wise International Limited.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REPURCHASE OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's 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 BUSINESS

Today's Asia Limited, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited have interests in approximately 37.54%, 37.54% and 8.34% of the share capital of the Company, respectively. Today's Asia Limited, together with its shareholders, Mr. LIU Changle and Mr. CHAN Wing Kee, Xing Kong Chuan Mei Group Co., Ltd. and China Wise International Limited are deemed to be the initial management shareholders of the Company as defined under the GEM Listing Rules.

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

Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7%, respectively of Today's Asia Limited, which holds 100% of Vital Media Holdings Limited, which in turn holds 46% indirect interest in Asia Television Limited ("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 2006. He also owns 80% of Dragon Goodwill International Limited, which completed its acquisition of 32.75% interests in ATV on 25 July 2003. ATV is deemed to be a connected person of the Company pursuant to the GEM Listing Rules. Primarily aiming at audiences in Hong Kong, ATV broadcasts its programmes via terrestrial transmission through two channels, one in Cantonese and the other in English. Signals of such two channels can also be received in certain parts of Guangdong Province of the PRC. ATV announced in August 2002 that it had received the approval from the authorities in China to broadcast its Cantonese and English channels through the cable system in Guangdong. ATV is also granted a non-domestic television programme service license in May 2004, in addition to its existing domestic free television programme service license.

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

ADVANCES TO AN ENTITY

Details of the relevant advance to an entity from the Group which exceeds 8% of the Group's total assets, as defined in rules 17.14 of the GEM Listing Rules, are set out in note 9 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions set out in the Code on Corporate Governance Practices in the Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the board of directors of the Company. The Audit Committee will meet at least four times a year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The Audit Committee currently comprises one non-executive Director, namely Mr. LAU Yu Leung, John and three independent non-Executive Directors, namely Dr. LO Ka Shui, Mr. LEUNG Hok Lim, and Mr. Thaddeus Thomas BECZAK.

The Audit Committee has already reviewed the Group's unaudited results for the three months ended 31 March 2006.

On behalf of the Board
LIU Changle
Chairman

Hong Kong, 11 May 2006

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2006

	Note(s)	For the three months ended 31 March 2006 HK$'000	For the three months ended 31 March 2005 HK$'000
Revenue	3	**254,333**	258,449
Operating expenses	4, 16	**(169,456)**	(155,152)
Selling, general and administrative expenses	4, 16	**(44,250)**	(62,659)
Exchange gain, net		**2,942**	2,666
Interest income, net		**5,193**	2,675
Other income, net		**3,374**	4,007
Provision for impairment loss in a jointly controlled entity		**–**	(472)
Share of losses of jointly controlled entities		**(465)**	–
Profit before income tax		**51,671**	49,514
Income tax expense	5	**(9,401)**	(8,483)
Profit for the period		**42,270**	41,031
Attributable to:			
Equity holders of the Company		**42,212**	41,055
Minority interests		**58**	(24)
		42,270	41,031
Earnings per share for profit attributable to the equity holders of the Company during the period			
Basic earnings per share, *Hong Kong cents*	7	**0.85**	0.83
Diluted earnings per share, *Hong Kong cents*	7	**0.85**	0.83

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 31 MARCH 2006

	Note	As at 31 March 2006 HK$'000	As at 31 December 2005 HK$'000 (Audited)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	10	**11,758**	14,968
Property, plant and equipment		**41,557**	44,518
Property deposit and development costs	11	**30,560**	30,560
Investments in jointly controlled entities	12	**9,129**	9,594
Available-for-sale financial asset		**962**	–
Financial assets at fair value through profit or loss	13	**23,259**	65,971
Long-term deposit		**29,866**	31,018
Deferred tax assets		**963**	963
		148,054	197,592
Current assets			
Accounts receivable, net	8	**92,538**	43,254
Prepayments, deposits and other receivables	9	**426,440**	367,945
Inventories		**4,990**	5,557
Amounts due from related companies	16	**1,491**	1,232
Self-produced programmes		**7,520**	3,760
Purchased programme and film rights, net, current portion	10	**5,534**	5,141
Financial assets at fair value through profit or loss	13	**63,125**	23,758
Cash and cash equivalents		**589,217**	513,364
		1,190,855	964,011
Total assets		**1,338,909**	1,161,603

	Note	As at 31 March 2006 HK$'000	As at 31 December 2005 HK$'000 (Audited)
EQUITY AND LIABILITIES			
Capital and reserve attributable to the Company's equity holders			
Share capital	14	**493,931**	493,867
Reserves		**548,255**	505,220
		1,042,186	999,087
Minority interests		**8,077**	8,019
Total equity		**1,050,263**	1,007,106
Non-current liability			
Deferred tax liabilities		**963**	963
Current liabilities			
Accounts payable, other payables and accruals		**106,386**	95,948
Deferred income		**163,063**	47,572
Amounts due to related companies	16	**3,769**	4,900
Profits tax payable		**14,465**	5,114
		287,683	153,534
Total liabilities		**288,646**	154,497
Total equity and liabilities		**1,338,909**	1,161,603

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2006

	Attributable to the Company's equity holders					
	Share capital	Share premium	Exchange reserve	Accumulated deficits	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2005	493,680	829,741	2,204	(461,977)	6,837	870,485
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	390	–	–	390
Exercise of share options	178	1,682	–	–	–	1,860
Profit for the period	–	–	–	41,055	(24)	41,031
Balance at 31 March 2005	493,858	831,423	2,594	(420,922)	6,813	913,766

	Attributable to the Company's equity holders					
	Share capital	Share premium	Exchange reserve	Accumulated deficits	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2006	493,867	782,128	3,587	(280,495)	8,019	1,007,106
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	235	–	–	235
Exercise of share options	64	588	–	–	–	652
Profit for the period	–	–	–	42,212	58	42,270
Balance at 31 March 2006	**493,931**	**782,716**	**3,822**	**(238,283)**	**8,077**	**1,050,263**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE THREE MONTHS ENDED 31 MARCH 2006

	For the three months ended 31 March 2006 *HK$'000*	For the three months ended 31 March 2005 *HK$'000*
Net cash generated from operating activities	**77,979**	44,022
Net cash (used in)/generated from investing activities	**(2,801)**	23,454
Net cash generated from financing activities	**653**	1,860
Net increase in cash and cash equivalents	**75,831**	69,336
Cash and cash equivalents at beginning of period	**513,364**	411,482
Effect of foreign exchange rate changes	**22**	256
Cash and cash equivalents at end of period	**589,217**	481,074

NOTES TO THE CONDENSED FINANCIAL STATEMENTS – UNAUDITED

1 General Information

Phoenix Satellite Television Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") engage in the satellite television broadcasting activities.

The Company is a limited company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, PO Box 2681 GT, George Town, Grand Cayman, British West Indies, Cayman Islands.

The Company is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated financial statements have been approved for issue by the board of directors of the Company on 11 May 2006.

2 Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the Company's annual financial statements for the year ended 31 December 2005.

These unaudited condensed consolidated financial statements have been prepared in accordance with those HKAS, Hong Kong Financial Reporting Standards ("HKFRS") standards and interpretations of HKAS (together "HKFRSs") issued and effective as at the time of preparing these financial statements. The HKFRS standards and interpretations that will be applicable at 31 December 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these unaudited condensed consolidated financial statements.

The HKICPA has issued a number of new HKFRSs which are effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the new HKFRSs in the preparation of the unaudited condensed consolidated financial statements for the period from 1 January 2006 onward. Amongst the new HKFRSs, the most significant is HKFRS-Int 4, Determining whether an arrangement contains a lease.

HKFRS-Int 4, Determining whether an Arrangement contains a Lease. HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the "Asset"); and (b) the arrangement conveys a right to use the Asset. There is no material financial impact towards the Group.

The adoption of the HKFRS-Int 4 did not result in substantial changes to the Group's accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the financial statements as of and for the period ended 31 March 2005.

The unaudited condensed financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets which are classified as financial assets at fair value through profit or loss.

The preparation of the unaudited condensed financial statements in conformity with the new HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the condensed consolidated financial statements include provision for impairment of receivables and income taxes.

New and change in accounting policy

(a) Investments

The Group classifies its investments into "financial assets at fair value through profit or loss", "loans and receivables" and "available-for-sale". The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if the financial asset is so designated by management at inception.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category including interest and dividend income are presented in the income statement in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities". Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(b) Change in accounting policy and restatement of comparatives

Prior to the fourth quarter of 2005, the Group reported its advertising (broadcasting and magazines) revenue and the agency commission expenses on a gross basis. Subsequent to that quarter the Group changed the presentation of its advertising revenue by reporting the advertising (broadcasting and magazines) revenue net of related agency commission expenses, as in the opinion of the Directors, this presentation improves the comparability to similar companies in the Group's industry and also provides more relevant information on the revenue transactions. This change has no effect to the income statement of the Group. As a result of this change which has been retroactively applied, the revenue and operating expenses of the comparative figures for 2005 have been reduced by approximately HK$40,580,000 for the period ended 31 March 2005.

3 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 2006					
	Television broadcasting *HK$'000*	**Programme production and ancillary services** *HK$'000*	**Internet services** *HK$'000*	**Other activities** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Group** *HK$'000*
Revenue						
External sales	246,575	844	9	6,905	–	254,333
Inter-segment sales	–	5,455	–	–	(5,455)	–
Total revenue	246,575	6,299	9	6,905	(5,455)	254,333
Segment results	79,387	650	(3,093)	(1,037)	–	75,907
Unallocated expenses *(Note a)*						(23,771)
Profit before share of results of jointly controlled entities, income tax and minority interests						52,136
Share of losses of jointly controlled entities						(465)
Income tax expense						(9,401)
Profit for the period						42,270
Minority interests						(58)
Profit attributable to equity holders of the Company						42,212

	For the three months ended 31 March 2005					
	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	240,871	1,224	2,112	14,242	–	258,449
Inter-segment sales	–	5,773	–	–	(5,773)	–
Total revenue	240,871	6,997	2,112	14,242	(5,773)	258,449
Segment results	67,933	(1)	(1,712)	1,453	–	67,673
Unallocated expenses *(Note a)*						(17,687)
Profit before provision for impairment, income tax and minority interest						49,986
Provision for impairment						(472)
Income tax expense						(8,483)
Profit for the period						41,031
Minority interest						24
Profit attributable to equity holders of the Company						41,055

Note:

(a) Unallocated expenses represent primarily:

- corporate staff costs;
- office rental;
- general administrative expenses; and
- marketing and advertising expenses that relate to the Group as a whole.

4 Expenses by nature

Expenses included in operating expenses and selling, general and administrative expenses are analysed as follows:

	For the three months ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
Amortisation of purchased programme and film rights	**4,612**	5,538
Production costs of self-produced programmes	**27,578**	21,500
Transponder rental *(Note 16(i)(b), (l))*	**4,016**	4,221
Provision for impairment of receivables	**9,916**	29,114
Employee benefit expenses (including Directors' emoluments)	**63,611**	60,989
Operating lease rental – land and buildings of third parties	**4,352**	3,408
Depreciation expenses	**6,624**	6,360
Reversal of provision for discretionary bonus	**–**	(10,695)
Reversal of provision for commission expenses	**–**	(5,420)
Reversal of overaccrued production costs	**–**	(3,913)

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (three months ended 31 March 2005: 17.5%) 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 unaudited condensed consolidated income statement represents:

	For the three months ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**9,351**	8,477
– Overseas taxation	**50**	6
	9,401	8,483

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

	For the three months ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
Profit before income tax	**51,671**	49,514
Calculated at a taxation rate of 17.5% (three months ended 31 March 2005: 17.5%)	**9,042**	8,665
Income not subject to taxation	**(2,417)**	(2,058)
Expenses not deductible for taxation purposes	**1,971**	6,821
Tax losses not recognised	**2,699**	2,129
Utilisation of previously unrecognised tax losses	**(2,261)**	(6,877)
Others	**367**	(197)
Tax expense	**9,401**	8,483

6 Interim dividends

The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2006 (three months ended 31 March 2005: nil).

7 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the three months ended 31 March	
	2006	2005
Profit attributable to equity holders of the Company *(HK$'000)*	**42,212**	41,055
Weighted average number of ordinary shares in issue *('000)*	**4,938,746**	4,937,349
Basic earnings per share *(Hong Kong cents)*	**0.85**	0.83

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	For the three months ended 31 March	
	2006	2005
Profit attributable to equity holders of the Company used to determine diluted earnings per share *(HK$'000)*	**42,212**	41,055
Weighted average number of ordinary shares in issue *('000)*	**4,938,746**	4,937,349
Adjustment for share options *('000)*	**3,621**	15,272
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,942,367**	4,952,621
Diluted earnings per share *(Hong Kong cents)*	**0.85**	0.83

8 Accounts receivable, net

	As at 31 March 2006 *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
0 – 30 days	**48,654**	19,031
31 – 60 days	**22,921**	12,623
61 – 90 days	**12,871**	1,701
91 – 120 days	**8,745**	9,046
Over 120 days	**134,760**	127,918
	227,951	170,319
Less: Provision for impairment of receivables	**(135,413)**	(127,065)
	92,538	43,254

There is no concentration of credit risk with respect to accounts receivable because the Group has a large number of customers.

The Group recognised a loss of HK$9,916,000 (three months ended 31 March 2005: HK$ 29,114,000) for the impairment of its accounts receivable during the period ended 31 March 2006. The loss has been included in selling, general and administrative expenses in the unaudited consolidated income statement.

9 Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables is an amount of approximately HK$330,930,000 (as at 31 December 2005: HK$299,805,000) 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 interest at prevailing bank interest rates.

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

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

The management of the Group is of the opinion that the amount owing from Shenzhou of approximately HK$330,930,000 as at 31 March 2006 is fully recoverable and no provision is required.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values.

10 Purchased programme and film rights, net

	For the three months ended 31 March 2006 HK$'000	For the year ended 31 December 2005 HK$'000 (Audited)
Balance, beginning of period/year	**20,109**	30,067
Additions	**1,871**	16,083
Amortisation	**(4,612)**	(22,325)
Impairment loss	**–**	(3,380)
Others	**(76)**	(336)
Balance, end of period/year	**17,292**	20,109
Less: Purchased programme and film rights – current portion	**(5,534)**	(5,141)
	11,758	14,968

11 Property deposit and development costs

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

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

Pursuant to the payment terms of the agreement, the full amount of approximately HK$57,354,000 had been paid to 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 property deposit of the Group as at 30 June 2003.

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

On the same date, Oasiscity executed a share charge in favour of the Group, under which it charged 30% equity interest in Real Properties, as security provided to the Group for the due performance of its obligations under the Agreement. According to the Agreement Oasiscity will be responsible for providing all required financing for the development of the building and the fulfillment of such obligation has been guaranteed by Neo-China Group (Holdings) Limited. The Group is not required to provide any further financing for the development of the building but will be entitled to a relevant portion of the non-saleable area of the building on completion of the development. The carrying value as at 31 December 2004 amounted to approximately HK$62,515,000, comprising property deposits of approximately HK$61,120,000 and renovation costs of approximately HK$1,395,000.

On 12 May 2005, the Group and Oasiscity entered into a supplementary agreement (the "Supplementary Agreement"), pursuant to which the Group transferred its entitlement to 10,000 square meters of the non-saleable area of the building currently under construction to Oasiscity for RMB60,000,000 (equivalent to approximately HK$55,800,000) payable in 3 installments and Oasiscity would also be allotted an additional 33 shares in Real Properties at par value so that after the allotment Oasiscity should hold approximately 70% interest therein. The Group's entitlement to the relevant portion of the non-saleable area of the building will then be reduced to 10,000 square meters after this transaction. In addition, the charge on the 30% equity interest owned by Oasiscity granted to the Group under the Agreement was released.

[1] Name translated for reference only

As a result of the Supplementary Agreement, Real Properties issued 33 new shares to Oasiscity on 12 May 2005 and the shareholdings in Real Properties of the Group and Oasiscity are 30% and 70%, respectively, as at 31 March 2006.

The Directors are of the opinion that the Group's entitlement to the non-saleable area on completion of the development is expected to have a value of not less than the current carrying value of approximately HK$30,560,000 as at 31 March 2006 and that the remaining proceeds receivable from Oasiscity of approximately HK$19,192,000 as at 31 March 2006 are fully recoverable and therefore no provision is required.

12 Investments in jointly controlled entities

	As at 31 March 2006 *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
Unlisted investments, at cost, beginning of the period/year	**11,972**	472
Addition on formation of a jointly controlled entity	**–**	11,500
Unlisted investments, at cost, end of the period/year	**11,972**	11,972
Less: provision for impairment	**(472)**	(472)
Less: share of jointly controlled entities' results – loss before taxation	**(2,371)**	(1,906)
Unlisted investments, net, end of the period/year	**9,129**	9,594

Details of the jointly controlled entities as at 31 March 2006 were as follows:

Name	**Place and date of incorporation**	**Place of operation**	**Principal activity**	**Percentage of equity interest directly held by the Group**	**Issued and fully paid share capital/ registered capital**
China Global Television Limited	British Virgin Islands, 18 October 2001	British Virgin Islands	Dormant	50%	US$2
北京翡翠鳳凰文化投資咨詢有限公司	The PRC, 27 June 2003	The PRC	Dormant	40%	RMB1,250,000
北京同步廣告傳播有限公司	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting industry in the PRC	45%	RMB26,700,000

Unaudited combined financial information of the jointly controlled entities was as follows:

	As at 31 March 2006 HK$'000	As at 31 December 2005 HK$'000
Assets:		
Non-current assets	**410**	457
Current assets	**21,180**	22,002
	21,590	22,459
Liabilities:		
Current liabilities	**159**	97
	159	97
Net assets	**21,431**	22,362

	For the three months ended 31 March 2006 HK$'000	For the three months ended 31 March 2005 HK$'000
Income	**–**	–
Expenses	**(1,052)**	(1,152)
Loss after income tax	**(1,052)**	(1,152)

On 5 August 2004, the Group signed an agreement with 北京廣播公司to form a sino-foreign joint venture, 北京同步廣告傳播有限公司, in the PRC. Pursuant to the agreement, upon obtaining all necessary approvals and licenses from the relevant authorities in the PRC, the Group would have to inject approximately HK$12,900,000 (equivalent to RMB13,500,000) for a 45% shareholding interest in this joint venture. As at 31 March 2006, the outstanding capital injection for this investment amounted to HK$1,439,000 (equivalent to RMB1,500,000) which is required to be made before 4 August 2007.

There are no contingent liabilities relating to the Group's interest in the jointly controlled entities, and no contingent liabilities of the jointly controlled entities themselves.

13 Financial assets at fair value through profit or loss

	As at 31 March 2006 HK$'000	As at 31 December 2005 HK$'000 (Audited)
Unlisted investments at fair value	86,384	89,729
Less: Non-current portion	(23,259)	(65,971)
	63,125	23,758

The above investments were designated as fair value through profit or loss on initial recognition. Investments with a maturity longer than one year at the inception date are classified as non-current. Changes in fair values (realised and unrealised) of financial assets at fair value through profit or loss are recorded in other income in the income statement.

As these investments are not publicly traded and in the absence of readily available information to determine the fair values of these investments, the Company has adopted the indicative market value provided by the issuers as its best estimate of the fair values of these investments.

14 Share capital

	Three months ended 31 March 2006		Year ended 31 December 2005	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000 (Audited)
Authorised:				
Ordinary share of HK$0.1 each	10,000,000,000	1,000,000	10,000,000,000	1,000,000
Issued and fully paid:				
Beginning of period/year	4,938,666,000	493,867	4,936,796,000	493,680
Exercise of share options	640,000	64	1,870,000	187
End of period/year	4,939,306,000	493,931	4,938,666,000	493,867

15 Commitments – Programme and film rights acquisition

As at 31 March 2006, the Group had aggregate outstanding programme and film rights-related commitments of approximately HK$48,855,000 (as at 31 December 2005: HK$53,902,000) of which all (as at 31 December 2005: all) were in respect of a film rights acquisition agreement with STAR TV Filmed Entertainment Limited ("STAR Filmed") extending to 27 August 2008. Total programme and film rights-related commitments are analysed as follows:

	As at 31 March 2006 *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
Not later than one year	**20,306**	20,295
Later than one year and not later than five years	**28,549**	33,607
	48,855	53,902

16 Related party transactions

(i) The Group had the following transactions with the related parties, as defined in HKAS 24 – Related Party Disclosures:

	Note(s)	**For the three months ended 31 March** **2006** *HK$'000*	2005 *HK$'000*
Service charges paid/payable to Satellite Television Asian Region Limited ("STARL")	*a, b*	**13,358**	13,422
Commission for advertising sales and marketing services paid/payable to STARL	*a, c*	**–**	51
Commission for international subscription sales and marketing services paid/payable to STARL	*a, d*	**850**	627
Film licence fees paid/payable to STAR Filmed	*a, e*	**5,075**	5,099
Service charges paid/payable to Asia Television Limited ("ATV")	*f, g*	**–**	22
Service charges received/receivable from ATV	*f, h*	**318**	320
Service charges paid/payable to Fox News Network L.L.C. ("FOX")	*i, j*	**921**	63
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	*k, l*	**260**	1,276
Service charges received/receivable from DIRECTV, Inc. ("DIRECTV")	*m, n*	**381**	506
Programme licence fees to SGL Entertainment Limited ("SGL")	*a, o*	**–**	491
Key management compensation	*iii*	**4,836**	4,694

Notes:

(a) STARL, STAR Filmed, SGL 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 equity holder of the Company.

(b) Service charges paid/payable to STARL covering a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 29 May 2003. The summary of the terms of the service agreement is set out in the section headed "New Star Services Agreement" of the circular of the Company dated 10 June 2003 (the "Circular"). Either fixed fees or variable fees are charged depending on the type of services utilised.

(c) The commission for advertising sales and marketing services paid/payable to STARL is based on 4% –15% (three months ended 31 March 2005: 15%) of the net advertising income generated and received by it on behalf of the Group after deducting the relevant amount of the third party agency fees.

(d) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (three months ended 31 March 2005: 15%) of the subscription fees generated and received by it on behalf of the Group.

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

(f) ATVE is a wholly-owned subsidiary of ATV which is considered to be a connected party to be the Company pursuant to the GEM Listing Rules.

Mr. LIU Changle and Mr. CHAN Wing Kee beneficially own 93.3% and 6.7% respectively of Today's Asia Limited, which indirectly owns approximately 46% of ATV as at 31 March 2006. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 31 March 2006. He also owns 80% of Dragon Goodwill International Limited, which has completed its acquisition of 32.75% interests in ATV on 25 July 2003.

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

(h) 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.

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

(j) Service charges paid/payable to FOX cover the following services provided to the Group which are charged based on the terms specified in a service agreement:

– granting of non-exclusive and non-transferable licence to subscribe for FOX's news service;

– leasing of office space and access to workspace, subject to availability; and

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

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

(l) Service charges paid/payable to BSkyB cover the following services provided to the Group which are charged based on terms specified in the service agreements:

– transponder rental;

– uplinking services; and

– encoding and electronic programme guide services.

(m) DIRECTV is 34% indirectly owned by FOX. FOX is an associate of Xing Kong Chuan Mei Group Co., Ltd., a substantial equity holder of the company.

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

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

(ii) Period/year end balances arising from related parties transactions as disclosed in note 16(i) above were as follows:

	As at 31 March 2006 *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
Amounts due from related companies	**1,491**	1,232
Amounts due to related companies	**(3,769)**	(4,900)

The outstanding balances with related companies are aged less than one year and are unsecured, non-interest bearing and repayable on demand.

(iii) Key management compensation

	For the three months ended 31 March	
	2006	2005
	HK$'000	*HK$'000*
Salaries	**3,192**	3,116
Quarters and housing allowance	**1,325**	1,267
Pension fund	**319**	311
	4,836	4,694

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