鳳凰衛視

PHOENIX SATELLITE TELEVISION HOLDINGS LIMITED

鳳 凰 衛 視 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8002)

RESULTS ANNOUNCEMENT
FOR THIRD QUARTER ENDED 30 SEPTEMBER 2006

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

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

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

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

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

CHAIRMAN'S STATEMENT

Financial Summary

- The Phoenix Group's revenue for the nine months ended 30 September 2006 was approximately HK$757,623,000 which was 0.6% lower than the same period in the previous year. Advertising revenue for the three months ended 30 September 2006 increased by 4.6% to approximately HK$239,244,000.

- Operating costs decreased by 1.4% to approximately HK$648,441,000 during this period, leading to a slight increase in the profit from operations of 4.9%.

- The profit attributable to equity holders of the Company was HK$130,811,000, which represented a decrease of 2.1% over the same period last year, a reduction that was caused by the fact that the income in the same period last year had been boosted by several one-off factors.

Financial Review

Revenue of the Group for the nine months ended 30 September 2006 was approximately HK$757,623,000. This represented a minor decrease of 0.6%, over the same period last year. Advertising revenue, which represented 93.1% of the Group's total revenue, increased by approximately 2.4%. For the nine months ended 30 September 2006, the Group recognized approximately HK$25,569,000 of revenue under the barter transaction with Mission Hills Group Limited.

Operating costs decreased by 1.4% over the same period last year to approximately HK$648,441,000. The main factor underlying this decrease in operating costs was the provision for doubtful debt, which decreased by HK$57,205,000 during this nine month period. The expenditure of the Group's core business activities remained relatively stable.

Profit attributable to equity holders of the Company for the nine months ended 30 September 2006 was approximately HK$130,811,000, which represented a decrease of 2.1% compared with the same period last year. During the period, the Group recognized a deferred tax asset amounting to approximately HK$13,900,000, which provided a one-off boost to the Group's income.

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

	Nine months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**524,752**	560,522
Phoenix InfoNews Channel	**161,644**	112,026
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**49,314**	45,883
Other businesses	**21,913**	43,570
Group's total revenue	**757,623**	762,001
Operating costs	**648,441**	657,888
Profit from operations	**109,182**	104,113
Profit before income tax	**145,859**	154,936
Profit attributable to equity holders of the Company	**130,811**	133,581*
Earnings per share, Hong Kong cents	**2.65**	2.71

* This figure included the one-off gain from the disposal of 50% of Phoenix's interest in the property currently being built in Shenzhen, which amounted to approximately HK$19,000,000 in the second quarter of 2005, and an unexpected increase in other revenue of approximately HK$10,000,000 in the third quarter of 2005 that resulted from the upward movement of the Renminbi against the Hong Kong Dollar in July 2005.

The Group's performance for the three months ended 30 September 2006 was relatively steady. Revenue increased by 1.8% to approximately HK$256,834,000 while operating costs increased to approximately HK$222,408,000 over the same period last year. Profit attributable to equity holders of the Company decreased to approximately HK$40,976,000, which represented a decrease of 2.0%.

The table below shows the operating results of our businesses for the nine months ended 30 September 2006 and the same period last year:

	Nine months ended 30 September	
	2006	2005
	HK$'000	*HK$'000*
Phoenix Chinese Channel	**255,351**	259,281
Phoenix InfoNews Channel	**20,410**	(17,869)
Phoenix Movies Channel, Phoenix North America Chinese Channel & Phoenix Chinese News and Entertainment Channel	**(44,510)**	(46,721)
Other businesses	**(13,526)**	(5,982)
Corporate overheads	**(108,543)**	(84,596)**
Profit from operations	**109,182**	104,113

** Corporate overheads in 2005 included a non-recurring write back of an over-provision for commission expenses which amounted to approximately HK$8,000,000.

The Group's flagship channel, Phoenix Chinese Channel, accounted for 69.3% of the Group's total revenue for the nine months ended 30 September 2006 and showed a marginal decrease of 6.4% as compared with same period last year. Operating results decreased by 1.5% to approximately HK$255,351,000. The performance of Phoenix InfoNews Channel more than offset the decrease in the Chinese Channel, with a profit of HK$20,410,000 after making a loss in the same period last year. InfoNews' revenue represented 21.3% of the Group's total revenue during this nine months period.

The cumulative revenues of Phoenix Movies Channel, Phoenix North America Chinese Channel and Phoenix Chinese News and Entertainment Channel, increased 7.5% as compared to the same period last year to approximately HK$49,314,000, while operating losses decreased to approximately HK$44,510,000.

The decrease in the revenues derived from other businesses was mainly attributable to the drop of some minimal-profit-margin handling income, which in any case made a very small contribution to the overall operating result.

The increase in corporate overheads was mainly attributable to the advertising and promotion costs incurred in celebrating the 10th anniversary of Phoenix in March this year.

Business Operations and Prospects

Phoenix continues to maintain its place as the broadcaster of the most comprehensive news and analysis about developments in the Greater China region as well as internationally, while also producing much innovative entertainment programming. During the three months ended 30 September 2006 Phoenix InfoNews provided real-time coverage of the situation in the Middle East, including the continuing violence and terrorism in Iraq, the Israeli incursion into Lebanon, which Phoenix covered by sending a team of reporters to do on-the-spot reports of the fighting, and the Iranian nuclear programme. Phoenix also provided extensive reporting on the mass protests in Taiwan aimed at removing Chen Shui-bian from office, which were rarely mentioned by any other Chinese language television service broadcasting to the mainland Chinese audience.

Phoenix Chinese Channel continued to feature a wide array of entertainment and information programmes, ranging from talk shows and interviews through to human-interest stories about the personal hardships people can face in a time of very rapid economic and social change.

The unique position that Phoenix occupies in the global Chinese-speaking world was exemplified by Phoenix Satellite Television's sponsorship and hosting of the International Academy Day in Beijing in August, which was held by the New York-based International Academy of Television Arts and Sciences.

The Chinese television market continues to go through a process of profound evolution, as mainland television companies continue to compete for the Chinese market by developing innovative programming, but the management of Phoenix remains confident that it can maintain its position as the main Mandarin Chinese-language television broadcaster that is based outside mainland China.

The conditional agreement entered into between China Mobile (Hong Kong) Group Ltd. and Xing Kong Chuan Mei Group Co. Ltd. in June for China Mobile (Hong Kong) Group Ltd. to acquire a 19.9% interest in the Group and the conditional strategic alliance and cooperation agreement entered into between China Mobile Ltd. and the Group on the same date, were both closed in August. This strategic alliance and cooperation agreement provides the opportunity for the Group to develop a new platform on which it can deliver its programming, thereby expanding the size of its audience in mainland China.

In September, the Group entered into an agreement with Freescale Semi-conductor Hong Kong Ltd. to acquire a site in Tai Po, Hong Kong, in order to provide more spacious premises to cope with the future expansion of the Group's business and operational activities in Hong Kong. The transaction is expected to be completed in May 2007. The transaction is not expected to have any material impact on the liquidity of the Group.

The Group's performance over the past nine months has been stable, providing evidence to support the assessment that the major turn-around in commercial results that Phoenix achieved in 2004 will persist. The management thus believes that the Group's business prospects will remain solid for the foreseeable future.

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 and nine months ended 30 September 2006 (the “period”), and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2006, together with the comparative figures for the corresponding period and relevant date in 2005.

DIRECTORS’ INTERESTS IN SECURITIES

As at 30 September 2006, the interests of the Directors and chief executive 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 such Directors or chief executive are taken or deemed to have under such provisions of the SFO) or were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required 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 to be notified to the Company and the Stock Exchange, 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	37.52%
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 37.52% of the issued share capital of the Company as at 30 September 2006.

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

Save as disclosed herein, so far as the Directors are aware, as at 30 September 2006, none of the Directors and chief executive of the Company had any interest or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required 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 the Directors or chief executive are taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or 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 30 September 2006
3 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
WANG Jiyan *(Note)*	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
72 other employees	14 June 2000	14 June 2000 to 13 June 2004	14 June 2001 to 13 June 2010	1.08	27,058,000	(1,084,000)	(870,000)	25,104,000
Total: 75 employees					40,358,000	(1,084,000)	(870,000)	38,404,000

Note: Mr. WANG Jiyan was appointed as an executive director of the Company with effect from 29 September 2006

During the nine months ended 30 September 2006, 870,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.36.

During the nine months ended 30 September 2006, 1,084,000 options granted to two employees lapsed when they ceased their employments 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 30 September 2006**
1 employee	15 February 2001	15 February 2001 to 14 February 2005	15 February 2002 to 14 February 2011	1.99	1,700,000	(1,200,000)	–	500,000
16 employees	10 August 2001	10 August 2001 to 9 August 2005	10 August 2002 to 9 August 2011	1.13	10,588,000	–	(1,066,000)	9,522,000
4 employees	20 December 2002	20 December 2002 to 19 December 2005	20 December 2003 to 19 December 2012	0.79	1,732,000	–	(200,000)	1,532,000
Total: 21 employees					14,020,000	(1,200,000)	(1,266,000)	11,554,000

During the nine months ended 30 September 2006, 1,266,000 options granted to employees were exercised. At the date before the options were exercised, the weighted average closing price per share was HK$1.22.

During the nine months ended 30 September 2006, 1,200,000 options granted to one employee lapsed when the employee ceased employment with the Group.

Save as disclosed above, no option has been cancelled 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 nine months ended 30 September 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, 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 30 September 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
Today's Asia Limited *(Note 1)*	1,854,000,000	37.52%
Extra Step Investments Limited *(Note 2)*	983,000,000	19.90%
Xing Kong Chuan Mei Group Co., Ltd. *(Note 3)*	871,000,000	17.63%

Notes:

1. 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.

2. Extra Step Investments Limited is a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited. China Mobile (Hong Kong) Group Limited is a wholly-owned subsidiary of China Mobile Communications Corporation. By virtue of the SFO, China Mobile Communications Corporation and China Mobile (Hong Kong) Group Limited are deemed to be interested in the 983,000,000 shares held by Extra Step Investments Limited.

3. 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 871,000,000 shares held by Xing Kong Chuan Mei Group Co., Ltd.

(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 has interests in approximately 37.52% of the share capital of the Company. Today's Asia Limited, together with its shareholder, Mr. LIU Changle are deemed to be the management shareholders of the Company as defined under 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 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 30 September 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 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, the management shareholders of the Company or their respective associates (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. 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 (chairman of the Audit Committee).

The Audit Committee has already reviewed the Group's unaudited results for the three months and nine months ended 30 September 2006.

On behalf of the Board

LIU Changle
Chairman

Hong Kong, 8 November 2006

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2006

		For the three months ended 30 September		For the nine months ended 30 September	
		2006	2005	**2006**	2005
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
			(Restated)		(Restated)
Revenue	3	**256,834**	252,411	**757,623**	762,001
Operating expenses	21	**(178,353)**	(165,889)	**(518,156)**	(481,787)
Selling, general and administrative expenses	21	**(44,055)**	(55,948)	**(130,285)**	(176,101)
Other revenue					
Exchange gain, net		**6,134**	11,213	**10,160**	14,180
Interest income, net		**5,953**	3,846	**17,319**	9,856
Other income, net		**5,100**	2,739	**10,360**	28,564
Provision for impairment loss in a jointly controlled entity		**–**	–	**–**	(472)
Share of losses of jointly controlled entities		**(342)**	(478)	**(1,162)**	(1,305)
Profit before income tax	4	**51,271**	47,894	**145,859**	154,936
Income tax expense	5	**(11,053)**	(6,495)	**(15,539)**	(21,533)
Profit for the period		**40,218**	41,399	**130,320**	133,403
Attributable to:					
Equity holders of the Company		**40,976**	41,826	**130,811**	133,581
Minority interests		**(758)**	(427)	**(491)**	(178)
		40,218	41,399	**130,320**	133,403
Earnings per share for profit attributable to the equity holders of the Company during the period					
Basic earnings per share, Hong Kong cents	7	**0.83**	0.85	**2.65**	2.71
Diluted earnings per share, Hong Kong cents	7	**0.83**	0.85	**2.65**	2.70

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED

AS AT 30 SEPTEMBER 2006

	Note	**As at 30 September 2006** *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Purchased programme and film rights, net	10	**15,490**	14,968
Lease premium for land	11	**75,020**	–
Property, plant and equipment, net	12	**72,615**	44,518
Property deposit and development costs	13	**30,560**	30,560
Investments in jointly controlled entities	14	**9,706**	9,594
Available-for-sale financial assets	15	**962**	–
Financial assets at fair value through profit or loss	16	**90,629**	65,971
Long-term deposit		**30,184**	31,018
Prepayment for long-term assets	17	**24,096**	–
Deferred tax assets		**13,460**	963
		362,722	197,592
Current assets			
Accounts receivable, net	8	**72,434**	43,254
Prepayments, deposits and other receivables	9	**428,227**	367,945
Inventories		**4,748**	5,557
Amounts due from related companies	21	**4,746**	1,232
Self-produced programmes		**6,370**	3,760
Purchased programme and film rights, net, current portion	10	**3,913**	5,141
Financial assets at fair value through profit or loss	16	**38,794**	23,758
Cash and cash equivalents		**540,362**	513,364
		1,099,594	964,011
Total assets		**1,462,316**	1,161,603

CONDENSED CONSOLIDATED BALANCE SHEET – UNAUDITED (CONTINUED)

AS AT 30 SEPTEMBER 2006

	Note	As at 30 September 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	18	**494,080**	493,867
Reserves		**580,749**	505,220
		1,074,829	999,087
Minority interests		**7,528**	8,019
Total equity		**1,082,357**	1,007,106
Non-current liabilities			
Provision for asset retirement reinstatement		**4,292**	–
Deferred tax liabilities		**963**	963
		5,255	963
Current liabilities			
Accounts payable, other payables and accruals		**215,475**	95,948
Deferred income		**124,300**	47,572
Amounts due to related companies	21	**1,831**	4,900
Profits tax payable		**33,098**	5,114
		374,704	153,534
Total liabilities		**379,959**	154,497
Total equity and liabilities		**1,462,316**	1,161,603
Net current assets		**724,890**	810,477
Total assets less current liabilities		**1,087,612**	1,008,069

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	Attributable to the Company's equity holders					
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Accumulated deficits *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'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	–	–	2,361	–	–	2,361
Exercise of share options	187	1,774	–	–	–	1,961
Dividend related to 2004	–	(49,387)	–	–	–	(49,387)
Profit for the period	–	–	–	133,581	(178)	133,403
Balance at 30 September 2005	493,867	782,128	4,565	(328,396)	6,659	958,823

	Attributable to the Company's equity holders					
	Share capital ***HK$'000***	**Share premium** ***HK$'000***	**Exchange reserve** ***HK$'000***	**Accumulated deficits** ***HK$'000***	**Minority interests** ***HK$'000***	**Total equity** ***HK$'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	**–**	**–**	**1,907**	**–**	**–**	**1,907**
Exercise of share options	**213**	**2,089**	**–**	**–**	**–**	**2,302**
Dividend related to 2005	**–**	**(59,278)**	**–**	**–**	**–**	**(59,278)**
Profit for the period	**–**	**–**	**–**	**130,811**	**(491)**	**130,320**
Balance at 30 September 2006	**494,080**	**724,939**	**5,494**	**(149,684)**	**7,528**	**1,082,357**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	For the nine months ended 30 September 2006 *HK$'000*	For the nine months ended 30 September 2005 *HK$'000*
Net cash generated from operating activities	**178,900**	181,068
Net cash used in investing activities	**(96,436)**	(27,074)
Net cash used in financing activities	**(56,976)**	(47,426)
Net increase in cash and cash equivalents	**25,488**	106,568
Cash and cash equivalents at beginning of period	**513,364**	411,482
Effect of foreign exchange rate changes	**1,510**	2,130
Cash and cash equivalents at end of period	**540,362**	520,180

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 Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, 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 8 November 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.

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 except for the impact, if any, of new standards, amendments to standards and interpretations which are mandatory for the financial year ending 31 December 2006 as discussed below.

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 following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2006.

- Amendment to HKAS 19, 'Actuarial gains and losses, group plans and disclosures', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- Amendment to HKAS 39, Amendment 'The fair value option', effective for annual periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss;

- Amendment to HKAS 21, Amendment 'Net investment in a foreign operation', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- Amendment to HKAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- Amendment to HKAS 39 and HKFRS 4, Amendment 'Financial guarantee contracts', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

- HKFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1 January 2006. This standard is not relevant for the Group;

- HKFRS-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006. This interpretation 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 "Assets"); and (b) the arrangement conveys a right to use the Assets. This interpretation has no material financial impact on the Group, and does 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 year ended 31 December 2005;

- HKFRS-Int 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1 January 2006. This interpretation is not relevant for the Group; and

- HKFRS-Int 6, 'Liabilities arising from participating in a specific market - waste electrical and electronic equipment', effective for annual periods beginning on or after 1 December 2005. This interpretation is not relevant for the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- Hong Kong (International Financial Reporting Interpretations Committee) - Interpretation 7 ("HK(IFRIC)-Int 7"), 'Applying the Restatement Approach under HKFRS 29', effective for annual periods beginning on or after 1 March 2006;

- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', effective for annual periods beginning on or after 1 May 2006;

- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006;

- HK(IFRIC)-Int 10 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006; and

- HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007, and HKAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007.

Management is currently assessing the impact of the above new standards, amendments to standards and interpretations which have been issued but are not effective for 2006 on the Group's operations.

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

The preparation of the unaudited condensed consolidated financial statements in conformity with the new HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement 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.

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 on the net income of the Group. As a result of this change which has been retroactively applied, the revenue and operating expenses were reduced by approximately HK$40,659,000 and HK$121,328,000 for the three months and nine months ended 30 September 2005 respectively.

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 30 September											
	Television broadcasting		**Programme production and ancillary services**		**Internet services**		**Other activities**		**Inter-segment elimination**		**Group**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Revenue												
External sales	**249,964**	238,279	**224**	1,090	**272**	2,015	**6,374**	11,027	**–**	–	**256,834**	252,411
Inter-segment sales	**105**	–	**4,482**	5,730	**–**	–	**–**	–	**(4,587)**	(5,730)	**–**	–
Total revenue	**250,069**	238,279	**4,706**	6,820	**272**	2,015	**6,374**	11,027	**(4,587)**	(5,730)	**256,834**	252,411
Segment results	**82,247**	69,336	**(1,633)**	(915)	**(2,099)**	(2,749)	**(1,236)**	(2,741)	**–**	–	**77,279**	62,931
Unallocated expenses *(Note a)*											**(25,666)**	(14,559)
Profit before share of results of jointly controlled entities, income tax and minority interests											**51,613**	48,372
Share of losses of jointly controlled entities											**(342)**	(478)
Income tax expense											**(11,053)**	(6,495)
Profit for the period											**40,218**	41,399
Minority interests											**758**	427
Profit attributable to equity holders of the Company											**40,976**	41,826

	For the nine months ended 30 September											
	Television broadcasting		**Programme production and ancillary services**		**Internet services**		**Other activities**		**Inter-segment elimination**		**Group**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Revenue												
External sales	**735,711**	718,431	**1,405**	2,733	**316**	4,503	**20,191**	36,334	**–**	–	**757,623**	762,001
Inter-segment sales	**611**	–	**17,963**	18,493	**–**	–	**–**	–	**(18,574)**	(18,493)	**–**	–
Total revenue	**736,322**	718,431	**19,368**	21,226	**316**	4,503	**20,191**	36,334	**(18,574)**	(18,493)	**757,623**	762,001
Segment results	**234,033**	199,887	**(103)**	(199)	**(6,320)**	(5,244)	**(2,572)**	(663)	**–**	–	**225,038**	193,781
Unallocated other income *(Note b)*											**–**	19,299
Unallocated expenses *(Note a)*											**(78,017)**	(56,367)
Profit before share of results of jointly controlled entities, income tax and minority interests											**147,021**	156,713
Provision for impairment loss in a jointly controlled entity											**–**	(472)
Share of losses of jointly controlled entities											**(1,162)**	(1,305)
Income tax expense											**(15,539)**	(21,533)
Profit for the period											**130,320**	133,403
Minority interests											**491**	178
Profit attributable to equity holders of the Company											**130,811**	133,581

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.

(b) Unallocated other income represents gain on disposal of partial interest of a property in Shenzhen (Note 13).

4 Profit before income tax

The following items have been credited/charged to the profit before income tax during the interim periods:

	For the three months ended 30 September		For the nine months ended 30 September	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Crediting				
Fair value gain on financial assets at fair value through profit or loss (realised and unrealised)	**3,940**	1,623	**3,867**	4,619
Charging				
Amortisation of purchased programme and film rights	**4,254**	5,790	**13,549**	17,108
Production costs of self-produced programmes	**30,407**	19,314	**89,537**	65,579
Transponder rental (Note 21(i)(b), (l))	**4,400**	3,842	**12,507**	12,285
Provision for impairment of receivables	**3,341**	20,464	**21,349**	78,554
Write-off of inventories	**–**	3,257	**–**	3,257
Employee benefit expenses (including Directors' emoluments)	**64,173**	62,001	**191,764**	183,281
Operating lease rental – land and buildings of third parties	**4,736**	4,333	**13,164**	11,231
Amortisation of lease premium for land	**216**	–	**216**	–
Depreciation expenses	**4,688**	6,679	**16,588**	19,507

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (three months and nine months ended 30 September 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 30 September		For the nine months ended 30 September	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current income tax				
– Hong Kong profits tax	**9,275**	6,495	**27,610**	21,521
– Underprovision of Hong Kong profits tax in prior years	**375**	–	**375**	–
– Overseas taxation	**–**	–	**51**	12
Deferred income tax	**1,403**	–	**(12,497)**	–
	11,053	6,495	**15,539**	21,533

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 as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit before income tax	**51,271**	47,894	**145,859**	154,936
Calculated at a taxation rate of 17.5% (three months and nine months ended 30 September 2005: 17.5%)	**8,972**	8,381	**25,525**	27,114
Income not subject to taxation	**(2,088)**	(2,141)	**(6,719)**	(10,379)
Expenses not deductible for taxation purposes	**757**	5,102	**5,664**	19,103
Tax losses not recognised	**2,312**	3,104	**7,088**	7,346
Utilisation of previously unrecognised tax losses	**–**	(7,913)	**(3,631)**	(21,352)
Recognition of deferred tax asset arising from previously unrecognised tax losses	**–**	–	**(13,900)**	–
Underprovision of Hong Kong profits tax in prior years	**375**	–	**375**	–
Others	**725**	(38)	**1,137**	(299)
Tax expense	**11,053**	6,495	**15,539**	21,533

6 Dividends

The Directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2006 (nine months ended 30 September 2005: nil).

A 2005 final dividend of HK$0.012 (2004 final dividend: HK$0.01) per share, totaling HK$59,278,000, was paid in June 2006.

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 30 September		For the nine months ended 30 September	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit attributable to equity holders of the Company *(HK$'000)*	**40,976**	41,826	**130,811**	133,581
Weighted average number of ordinary shares in issue *('000)*	**4,940,510**	4,938,666	**4,939,599**	4,938,231
Basic earnings per share *(Hong Kong cents)*	**0.83**	0.85	**2.65**	2.71

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 market share price of the Company's shares for the period) 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. Where the number of shares so calculated is smaller than the number of shares that would have been issued assuming the exercise of all the outstanding share options, the difference represents potential dilutive shares and is added to the weighted average number of ordinary share in issue to arrive at the weighted average number of ordinary shares for diluted earnings per share.

	For the three months ended 30 September		**For the nine months ended 30 September**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share *(HK$'000)*	**40,976**	41,826	**130,811**	133,581
Weighted average number of ordinary shares in issue *('000)*	**4,940,510**	4,938,666	**4,939,599**	4,938,231
Adjustment for share options *('000)*	**3,928**	7,691	**5,941**	11,907
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**4,944,438**	4,946,357	**4,945,540**	4,950,138
Diluted earnings per share *(HK cents)*	**0.83**	0.85	**2.65**	2.70

8 Accounts receivable, net

The carrying amounts of accounts receivables, net, approximate their fair value.

The Group has appointed an advertising agent in the People's Republic of China (the "PRC") to promote the sales of the Group's advertising airtime and programme sponsorship and collect advertising revenues within the PRC on behalf of the Group (see Note 9). The Group generally requires customers to pay in advance, but grants a credit period of 30 days to 90 days to some customers.

	As at 30 September 2006	As at 31 December 2005
	HK$'000	*HK$'000* (Audited)
0 – 30 days	**38,989**	19,031
31 – 60 days	**23,731**	12,623
61 – 90 days	**5,269**	1,701
91 – 120 days	**4,213**	9,046
Over 120 days	**147,086**	127,918
	219,288	170,319
Less: Provision for impairment of receivables	**(146,854)**	(127,065)
	72,434	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$3,341,000 and HK$21,349,000 (three months and nine months ended 30 September 2005: HK$20,464,000 and HK$78,554,000 respectively) for the impairment of its accounts receivable during the three months and nine months ended 30 September 2006 respectively. The loss has been included in selling, general and administrative expenses in the unaudited condensed consolidated income statement.

9 Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables is an amount of approximately HK$355,030,000 (as at 31 December 2005: HK$299,805,000) owing from an advertising agent, Shenzhou Television Company Ltd. ("Shenzhou") in the PRC. The amount represents advertising revenue collected, net of expenses incurred by Shenzhou on behalf of the Group. The balance is unsecured and bears 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 those of the Group 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 arrangements, 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$355,030,000 as at 30 September 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 nine months ended 30 September 2006 *HK$'000*	For the year ended 31 December 2005 *HK$'000* (Audited)
Balance, beginning of period/year	**20,109**	30,067
Additions	**14,639**	16,083
Amortisation	**(13,549)**	(22,325)
Impairment loss	**(1,680)**	(3,380)
Others	**(116)**	(336)
Balance, end of period/year	**19,403**	20,109
Less: Purchased programme and film rights – current portion	**(3,913)**	(5,141)
	15,490	14,968

11 Lease premium for land

The Group's interest in land use rights represents prepaid operating lease payments and its net book value is analysed as follows:

	As at 30 September 2006 *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
Outside Hong Kong, held on:		
Leases of over 50 years	**75,020**	–

	For the nine months ended 30 September 2006 *HK$'000*	For the year ended 31 December 2005 *HK$'000* (Audited)
Balance, beginning of period/year	–	–
Additions *(Note (a))*	**75,236**	–
Amortisation expense	**(216)**	–
Balance, end of period/year	**75,020**	–

Note: (a) Additions for the nine months ended 30 September 2006 pertained to the land use rights of a villa received from a barter transaction with Mission Hills Group Limited ("Mission Hills") (the "Villa"), details of which are discussed below.

As disclosed in the 2006 half-yearly report of the Company, on 23 June 2006 the Group entered into a strategic cooperation agreement ("Strategic Cooperation Agreement") and a barter agreement ("Barter Agreement") with Mission Hills. According to the Strategic Cooperation Agreement, the Group will provide advertising airtime on its satellite television channels and assist Mission Hills in the planning and promotion of the corporate image and branding of the Mission Hills by using the Group's resources and leading position in the media industry. The contract term of the Strategic Cooperation Agreement is five years from the date of the contract.

Under the Barter Agreement, Mission Hills will transfer the title, rights and interests in the Villa in the Mission Hills in Residence development to the Group at a price of approximately HK$98 million and in exchange, the Group will provide: (1) airtime for advertisements for five years from the date of the Barter Agreement of an equivalent value based on charging rates that are at a discount to the Company's normal rate card charges and (2) services related to the planning and promotion of the corporate image and branding of the Mission Hills and its projects. The fair value of the Villa has been assessed by an independent valuer, namely Vigers Appraisal & Consulting Limited, at approximately HK$103 million and therefore, the agreed price of HK$98 million is considered by management to approximate the fair value of the Villa. The total cost of the Villa, including relevant taxes, is approximately HK$100,543,000. The cost of the Villa has been allocated between the lease premium for the land (HK$75,236,000) and the building (HK$25,307,000) based on the valuation assessment of the independent valuer.

The total revenues to be recorded by the Group for the provision of airtime and services over the five year period of the contract is based on the fair value of the Villa received in return of approximately HK$98 million. The revenues recorded for airtime utilised by the Mission Hills is based on the fair value of the airtime. The revenues recorded for the services provided is based on prices for the services provided agreed with Mission Hills.

For the three months and nine months ended 30 September 2006, the Group recognised approximately HK$10,771,000 and HK$25,569,000, respectively, of revenue for airtime utilised (three months and nine months ended 30 September 2006: approximately HK$5,403,000 and HK$6,662,000) and services provided (three months and nine months ended 30 September 2006: approximately HK$5,368,000 and HK$18,907,000). As at 30 September 2006, the unutilised value of airtime and services totaling HK$72,476,000 has been recorded in accounts payable, other payables and accruals in the balance sheet. The Group received title and took possession of the Villa in July 2006.

12 Property, plant and equipment, net

	For the nine months ended 30 September 2006 *HK$'000*	For the year ended 31 December 2005 *HK$'000* (Audited)
Balance, beginning of period/year	**44,518**	54,869
Additions *(Note (a))*	**44,334**	15,878
Exchange differences	**397**	(27)
Disposals	**(110)**	(21)
Depreciation charge	**(16,524)**	(26,181)
Balance, end of period/year	**72,615**	44,518

Note: (a) Additions for the nine months ended 30 September 2006 include the building element of the Villa with cost of approximately HK$25,307,000 received in the barter transaction discussed in Note 11(a) above.

13 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 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 was 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. As at 30 September 2006, the Group had received the entire amount of RMB60,000,000 due from Oasiscity under the Supplementary Agreement.

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 30 September 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 30 September 2006.

[1] Name translated for reference only

14 Investments in jointly controlled entities

	As at 30 September 2006 *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
Unlisted investments, at cost, beginning of the period/year	**11,972**	472
Further injection/addition on formation of a jointly controlled entity	**1,274**	11,500
Unlisted investments, at cost, end of the period/year	**13,246**	11,972
Less: provision for impairment	**(472)**	(472)
Less: share of jointly controlled entities' results – net loss	**(3,068)**	(1,906)
Unlisted investments, net, end of the period/year	**9,706**	9,594

Details of the jointly controlled entities as at 30 September 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諮詢有限公司	The PRC, 27 June 2003	The PRC	Dormant	40%	RMB1,250,000
北京同步廣告廣播有限公司	The PRC, 7 January 2005	The PRC	Advertising business in radio broadcasting industry in the PRC	45%	RMB30,000,000

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

	As at 30 September 2006 *HK$'000*	As at 31 December 2005 *HK$'000*
Assets:		
Non-current assets	**298**	457
Current assets	**23,110**	22,002
	23,408	22,459
Liabilities:		
Current liabilities	**245**	97
	245	97
Net assets	**23,163**	22,362

	For the three months ended 30 September		For the nine months ended 30 September	
	2006 *HK$'000*	2005 *HK$'000*	**2006** *HK$'000*	2005 *HK$'000*
Income	**–**	–	**–**	–
Expenses	**(791)**	(1,119)	**(2,655)**	(3,016)
Loss after income tax	**(791)**	(1,119)	**(2,655)**	(3,016)

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.

15 Available-for-sale financial assets

	For the nine months ended 30 September 2006 *HK$'000*	For the year ended 31 December 2005 *HK$'000* (Audited)
Balance, beginning of period/year	**–**	–
Additions	**962**	–
Balance, end of period/year	**962**	–

There were no disposals or impairment provisions on available-for-sale financial assets for the nine months ended 30 September 2006 (year ended 31 December 2005: Nil).

Available-for-sale financial assets represent unlisted securities of private issuers outside Hong Kong.

16 Financial assets at fair value through profit or loss

	As at 30 September 2006 *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
Unlisted investments at fair value	**129,423**	89,729
Less: Non-current portion	**(90,629)**	(65,971)
	38,794	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 unaudited condensed consolidated 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 Group has adopted the indicative market value provided by the issuers as its best estimate of the fair values of these investments.

17 Prepayment for long-term assets

On 14 September 2006, Phoenix Centre (Hong Kong) Limited ("Phoenix Centre"), an indirect wholly-owned subsidiary of the Company, as purchaser, and Phoenix Satellite Television Company Limited, an indirect wholly-owned subsidiary of the Company, as Phoenix Centre's guarantor, entered into the Sale and Purchase Agreement with Freescale Semiconductor Hong Kong Limited ("Freescale"), formerly known as Motorola Semiconductors Hong Kong, Limited, as vendor, whereby Phoenix Centre agreed to purchase a property located in the Tai Po Industrial Estate in Hong Kong consisting of an interest in leasehold land and buildings with a gross floor area of approximately 38,442 square metres (the "Property"), for a total consideration of US$15,500,000 (equivalent to approximately HK$120,900,000) (the "Consideration"). The Consideration is to be paid in installments starting from the date of signing of the Sale and Purchase agreement to 31 May 2007, the date of completion of the transaction (the "Completion Date").

As at 30 September 2006, an amount of HK$24,096,000 was paid out by the Group to Freescale according to the payment schedule in the Sale and Purchase Agreement and has been recognised as prepayment for long-term assets in the balance sheet.

In accordance with the requirements of the Hong Kong Science and Technology Parks Corporation, the lessor of the leasehold land of the Property, Phoenix Centre has also undertaken to complete installation of new machinery and equipment of a value of not less than HK$105,000,000 at the Property within 48 months of 26 June 2006, and to commence operation of the facility within 18 months of the Completion Date.

18 Share capital

	Nine months ended 30 September 2006		Year ended 31 December 2005	
	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/year	**4,938,666,000**	**493,867**	4,936,796,000	493,680
Exercise of share options	**2,136,000**	**213**	1,870,000	187
End of period/year	**4,940,802,000**	**494,080**	4,938,666,000	493,867

Employee share option scheme: options exercised during the nine months ended 30 September 2006 resulted in 2,136,000 shares being issued (nine months ended 30 September 2005: 1,870,000 shares), with exercise proceeds of HK$2,302,000 (nine months ended 30 September 2005: HK$1,961,000). The related weighted average market price at the time of exercise was HK$1.29 (nine months ended 30 September 2005: HK$1.48) per share for the nine months ended 30 September 2006.

19 Commitments – Programme and film rights acquisition

As at 30 September 2006, the Group had aggregate outstanding programme and film rights-related commitments of approximately HK$39,226,000 (as at 31 December 2005: HK$53,902,000) of which HK$38,798,000 (as at 31 December 2005: HK$53,902,000) 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 30 September 2006	As at 31 December 2005
	HK$'000	*HK$'000*
		(Audited)
Not later than one year	**20,785**	20,295
Later than one year and not later than five years	**18,441**	33,607
	39,226	53,902

20 Banking facilities

As at 30 September 2006, the Group had banking facilities amounting to approximately HK$18,762,000 (as at 31 December 2005: HK$18,407,000). Unused banking facilities as at the same date amounted to approximately HK$11,500,000 (as at 31 December 2005: HK$12,600,000). The facilities are covered by counter indemnities from the Group.

As at 30 September 2006, deposits of approximately HK$3,762,000 (as at 31 December 2005: HK$3,407,000) were pledged with a bank to secure a banking guarantee given to the landlord of a subsidiary.

21 Related party transactions

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

		For the three months ended 30 September		**For the nine months ended 30 September**	
		2006	2005	**2006**	2005
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Service charges paid/payable to Satellite Television Asian Region Limited ("STARL")	a, b	**13,318**	13,586	**39,774**	40,791
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	**780**	720	**2,323**	2,173
Film licence fees paid/payable to STAR Filmed	a, e	**5,085**	5,085	**15,235**	15,281
Service charges paid/payable to Asia Television Limited ("ATV")	f, g	**47**	–	**730**	28
Service charges received/receivable from ATV	f, h	**319**	319	**956**	959
Service charges paid/payable to Fox News Network L.L.C. ("Fox")	i, j	**923**	814	**2,765**	2,896
Service charges paid/payable to British Sky Broadcasting Limited ("BSkyB")	k, l	**286**	305	**828**	2,859

	Notes	For the three months ended 30 September 2006 HK$'000	2005 HK$'000	For the nine months ended 30 September 2006 HK$'000	2005 HK$'000
Service charges received/ receivable from DIRECTV, Inc. ("DIRECTV")	m, n	**343**	405	**1,074**	1,363
Programme licence fees to SGL Entertainment Limited ("SGL")	a, o	**132**	54	**132**	546
Programme license fees paid/ payable to Asia Television Enterprise Limited ("ATVE")	f, p	**–**	–	**428**	–
Advertising sales to China Mobile Communications Corporation and its subsidiaries (the "CMCC Group")	q, r	**2,536**	–	**2,536**	–
Key management compensation	iii	**4,836**	4,691	**14,508**	14,076

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 shareholder of the Company.

(b) Service charges paid/payable to STARL covering a wide range of technical services provided to the Group are charged based on the terms of the service agreement dated 30 June 2006. 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 30 June 2006. 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 and nine months ended 30 September 2005: 4% - 15%) of the net advertising income generated and received by it on behalf of the Group after deducting the relevant amount of the third party agency fees.

(d) The commission for international subscription sales and marketing services paid/payable to STARL is based on 15% (three months and nine months ended 30 September 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 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 30 September 2006. Mr. CHAN Wing Kee also owns 95% of Dragon Sheen Holdings Limited which holds 16.25% indirect interest in ATV as at 30 September 2006. He also owns 80% of Dragon Goodwill International Limited, which 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), 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 shareholder 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.

(p) Pursuant to a programme licensing agreement dated 29 May 2003, the programme license 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 of the Company dated 10 June 2003.

(q) The CMCC Group, through its wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited, owns 19.9% of the issued share capital of the Company. CMCC has become a connected party to the Company since 25 August 2006.

(r) Advertising sales to the CMCC Group are related to airtime advertising and programme sponsoring on channels operated by the Group as disclosed in the circular of the Company dated 8 September 2006.

(ii) Period/year end balances arising from related parties transactions as disclosed in note 21(i) above were as follows:

	As at 30 September 2006 *HK$'000*	As at 31 December 2005 *HK$'000* (Audited)
Amounts due from related companies	**4,746**	1,232
Amounts due to related companies	**(1,831)**	(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 30 September		For the nine months ended 30 September	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Salaries	**3,192**	3,115	**9,576**	9,346
Quarters and housing allowance	**1,325**	1,265	**3,975**	3,797
Pension fund	**319**	311	**957**	933
	4,836	4,691	**14,508**	14,076

As at the date of this announcement, the executive directors of the Company are Mr. LIU Changle, Mr. CHUI Keung and Mr. WANG Jiyan, the non-executive directors of the Company are Mr. LU Xiangdong, Mr. GAO Nianshu, Mr. Paul Francis AIELLO, Mr. LAU Yu Leung, John and Mr. XU Gang (alternate director: Mr. GONG Jianzhong) and the independent non-executive directors of the Company are Dr. LO Ka Shui, Mr. LEUNG Hok Lim and Mr. Thaddeus Thomas BECZAK.

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